THE MAGAZINE OF WALL STREET

AUGUST 5, 1933

How Far Can This Market Go?

By A. T. MILLER

Profits or Losses Under the New Codes

By JULIUS KLEIN
Former Assistant Secretary of Commerce

Mid-Year Dividend Forecast

Part I

Rails Public Utilities Equipments

C. G. Wyckoff
PUBLISHER

VOL. 52 — No. 8

PRICE 35 CENTS

Member of Audit Bureau of Circulations

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Vol. 52 No. 8 **August 5, 1933**

The Ticker Publishing Co. is affiliated with no other organization or institution whatever. It publishes only The Magazine of Wall Street, issued bi-weekly, Adjustable Stock Ratings, issued monthly, and the Investment and Business Forecast, issued weekly.

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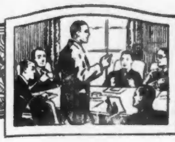
SUBSCRIPTION PRICE—$7.50 a year in advance. Foreign $8.50. Canadian $8.00. Please send International Money Order or U. S. Currency.

TO CHANGE ADDRESS—Write us name and old address in full, new address in full and get notice to us three weeks before you desire magazine sent to the new address.

EUROPEAN REPRESENTATIVES—International News Co., Ltd., Breams Bldg., London, E. C. 4, England.

Cable Address—Tickerpub.



WITH THE EDITORS

To Buy, To Sell, To Hold

THIS is the inevitable mental debate in which every trader and almost every investor engages in times of market weakness, such as the decline which marked the 19th, 20th and 21st of July.

Take the typical experience: Stocks purchased in earlier stages of the advance show handsome profits. Then comes a day of weakness which engenders no real concern—then a more severe selling wave. Is it over or will the decline go further? Profits are reduced. Shall the remnant be saved? Will the market experience support here or lower down? Has there been enough short selling to provide a cushion?

Now, obviously, there can be no positively correct answer to these questions which are in everyone's mind. Individual judgment must be exercised—and on what is it to be based? Apart from the factor of ones own resources, the decision must go back to fundamentals for its basis.

Admittedly there are market technicalities which should influence the trader or the short-swing holder. He will give due weight to the volume of transactions, the manner in which this volume appeared, the extent of the movement in the list as a whole and in individual groups. He will note brokers' loans, the banks' loaning policy, support points, and what not. But after all, the great majority of participants in the current market have assumed commitments for two basic reasons, and unless the picture has been fundamentally altered, there is no occasion to radically change market policy or position. On the one hand, stocks have been acquired through a belief in prospective business improvement and recovery in corporate profits which will enhance both the value of the shares and the income derived therefrom. On the other is the well founded belief, in view of all that has happened since March 4, that funds are safer—or at least will better preserved purchasing power—in common equities than in cash. Decision to buy more stock at the lower level, to hold what has already been purchased, or to sell, should rest then on a consideration of these objectives.

In other words, has the outlook for business recovery been altered or the threat of a depreciated dollar abated? We think not.

Of course, the business factor is not without its complexities. It has become apparent that production has outrun purchasing power for the time being. Will consumption catch up under the stimulus of the N.R.A. program for higher wages? Again, how severely will the higher wage costs cut into corporate profits? If it is assumed that the N.R.A. program will be as successful as now indicated, the business outlook would seem to warrant ignoring even so drastic a decline as the 40% drop just experienced. Particularly is this true so long as reduction of the gold content of the dollar and its weakness abroad continue as live possibilities.

On full appraisal of such fundamentals many who might have sacrificed their stocks in the recent decline not only sat tight with old holdings, but acquired more as the selling wave spent itself. They displayed justified and warranted confidence in ultimate recovery not only to old price levels but to still higher ones as the new economic experiment is carried forward to success.

In the Next Issue

Mid-Year Dividend Forecast

— What dividends are likely to be resumed?

— Which ones are likely to be increased?

— Earnings for the first half of 1933 compared to 1932

— Investment prospects for leading companies

In the Following Industries:

Steel	Automobiles	Foods
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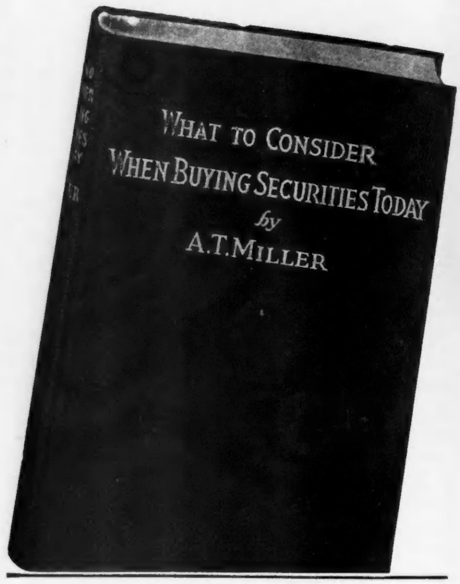

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The Trend of Events

—It Must Be Done
—More Margin
—Something for Silver
—Britain Converts
—The Market Prospect

IT MUST BE DONE OUR audacious President has, with characteristic impetuosity, launched the nation on the most fascinating adventure in the domain of the psychology of economics that has ever been attempted in modern times except during war. In effect, he has undertaken to restore prosperity immediately through an appeal to everybody forthwith to increase employment and payrolls without waiting for increased business. Create purchasing power, is the idea, and you make business. If the nation is hired in mass it will buy in mass. Cut out the normal lag between reviving business and growing payrolls, the President urges. He fears that production is expanding so much faster than payrolls and purchasing power that we shall soon run into another crisis of saturation of the markets—even while we are still in dire want.

General Johnson talks of putting six million men back to work by Labor Day by the simple process of inspiring employers with the will to reduce working hours. But it is far more than a mere effort to spread work, for present employes are not to receive lower wages than they have been receiving. Otherwise there would be no enlargement of buying capacity. And employers are urged not to raise prices except as a last resort, thus further increasing purchasing power. If this bold program should succeed the depression would be buried. No doubt about that. Six million people back at work in thirty days would create a tidal wave of buying.

But what if it should fail? Would not the shock to the rising morale of the country be as dangerous as an undue lag in wages and employment? And it may fail; first because of impossibility of compliance on the part of hundreds of thousands of employers—especially the little fellows, and, second, because of premature price raising. Still in the red, swamped in debt, without cash resources or credit, how can the weak employers increase their payrolls without ruin? There is no assurance that the additional money they pay out on Saturday will return to them on Monday in increased business. If it doesn't they will have to close their doors. That will certainly not increase employment—to say nothing of wiping out a socially important group of independent proprietors.

It is true that the President is merely trying to do in a hurry what the Industrial Recovery Act will effect through the industrial codes of fair competition, in the course of time—and with the force of law. But the gradual adoption of codes, framed to protect the little fellow, is something quite different from an almost overnight "voluntary" adaptation to a blanket code of

minimum wages and maximum hours under the spur of public disfavor and discrimination if the change is not made promptly.

We hope that recovery will proceed so rapidly that the little fellow can get by—and we know that he will do his best to meet the President's patriotic appeal. There is no turning back now. The great drive must win! Every man must do his level best to make it win. If it wins, good times will be with us soon—if it loses, they will be deferred beyond the time indicated by the splendid progress already in course.

MORE MARGIN

NO informed person would claim that heavier margins would render the stock market invulnerable, no matter how onerous brokers' requirements became. Nor would heavy margins save speculators or investors from losses. Many a man has written off his most severe capital shrinkages against stocks purchased for cash and put away in the box. For outright ownership has a way of lulling the investor into a false sense of security.

But heavier margins would act as a checkrein upon the public's tendency to overtrade. And they would be progressively salutary if they were stepped up steeply on a sliding scale of percentages. Margins that would discourage pyramiding on paper profits would put an end to such episodes as the recent sheer drop of fifty and sixty points in the alcohol stocks. For pools could no longer unload on a gullible following drawn into a boiling market on dangerously thin margins.

Brokers individually have made considerable progress in the right direction. Margins have long been on a much more conservative basis than the generally acceptable "ten points" of twenty years ago. But all tendency to deviate from strict requirements should be removed by a rigid Stock Exchange ruling. The matter is too vital to be left to the discretion of member houses. The public, having lost, will be the most severe critics of the leniency they welcomed when stocks were booming. Better for the Exchange to act firmly but wisely now than to have bungling reformation forced upon it next December.

SOMETHING FOR SILVER

THE nearest approach to achievement by the Economic Conference was in doing something for silver—a somewhat nebulous something at that. But it is good to see one of the American delegates—Senator Pittman—returning with something more than goose-eggs. Subject to ratification by their various governments, the silver group of the Conference drafted this program: India is to limit its sales of Treasury silver to 35,000,000 ounces annually, Spain to 5,000,000 ounces, and China is to sell none at all. The silver producing countries are to absorb governmentally from their own product as much as the other countries may sell. The silver producing countries and those which are large holders or users of silver are to agree to take steps to stabilize silver. All governments are to refrain from further debasement of their silver coinage and endeavor to substitute silver coins for small-denomination paper currency. This scheme does not restore silver as standard money; it is merely an effort to improve the price of silver as a commodity. That objective meets with unanimous approval, but we do not like the idea of the United States having to absorb—as may be possible—silver from other producing countries into its treasury as a basis for silver certificate circulation. The game is hardly worth the candle. Our silver production is a negligible factor in our economic life, and the effects enhanced value of silver might have on our trade with China may be too dearly purchased by dilation of our currency. The restoration of bimetallism is something else. Bimetallism or symmetalism, may be desirable if it can be established that the world is not producing gold enough for metallic reserves, but the dilution of our currency at the rate of $25,000,000 a year may be a costly means of subsidizing silver and a dubious way of encouraging trade with the Orient.

BRITAIN CONVERTS

IS a £260 British government bond at 2½ per cent interest better than a $1,000 bond at 5½ per cent? That is the question which the latest British conversion step puts up to holders of $137,000,000 worth of gold dollar British bonds floated in the United States in 1917. If you own such bonds you can keep them and take your present high interest rate in dollars or you can convert them and take your low interest in pounds. Of course, the question of what will be the better realization at maturity in 1937 must also be taken into consideration.

Since the conversion is to be effected on the basis of $3.85 to the pound, the proposal is of course an inducement to holders to sell the pound short with the prospect of covering at $3.85. Such operations if carried on in any quantity would force the dollar upward against the pound thereby bringing about the forecast of Mr. Neville Chamberlain, which was made immediately before the conference was announced, to the effect that the dollar would soon strengthen from natural causes. In other words, Great Britain is showing she will not sit by indefinitely while the dollar-sterling exchange rate is fixed entirely by the domestic policies of the United States.

THE MARKET PROSPECT

FROM now on the public will be less prone to snap-judgment, giving more consideration to what is being done to their currency and closely watching industrial news and earnings statements. Our most recent investment advice will be found in the discussion of market trends on page 359. The counsel embodied in this feature should be considered in connection with all investment suggestions elsewhere in this issue.

Monday, July 31, 1933.

How Far Can This Market Go?

Drastic Reaction Strengthens Position and Gives Greater Promise to Longer Term Outlook

By A. T. Miller

On the day immediately following the making of a new high record for the year, the stock market fell off ominously. On the second day it broke wide open. On the third day it did likewise. On the fourth day, which happened to be Saturday, July 22, it steadied and the resistance points of the previous day were not violated. On the following Monday stocks rallied convincingly.

The trading volume on the day the high price record was set was 6½ million shares. On the first day of the deluge it rose to nearly 7½ millions. On the second day it was more than 8 millions, and on the third day it topped 9½ millions—the heaviest turnover in three years.

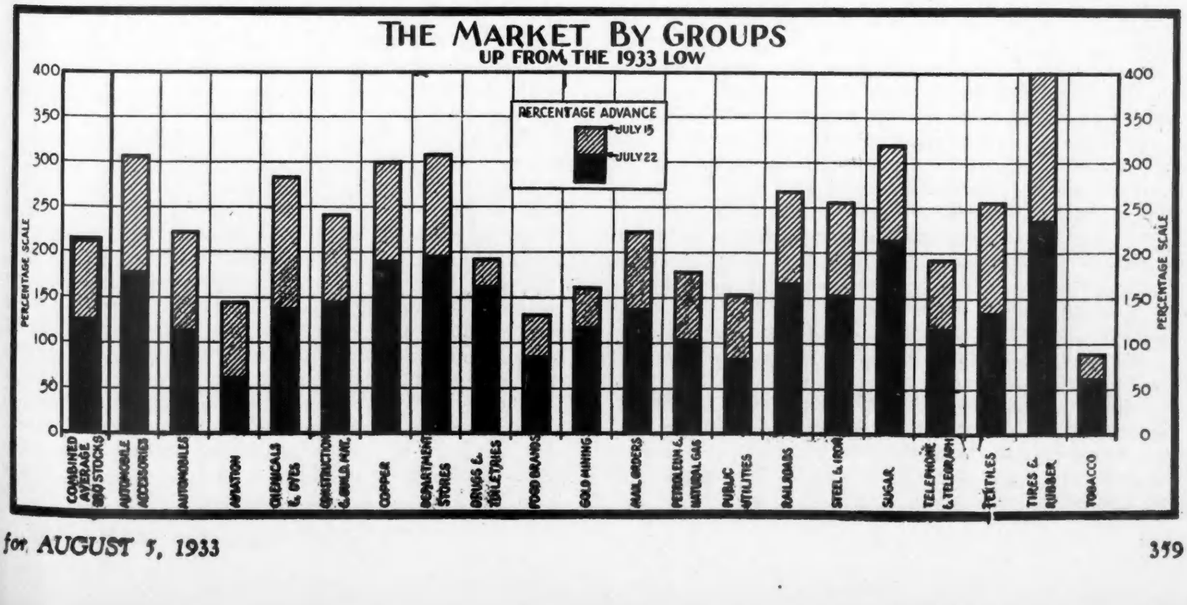
How severely prices suffered is best told by the averages. From the low of the year, registered just before the banking holiday, to the high reached on Tuesday, July 18, there had been an advance of 51 points in the average of a representative group of rails and industrials. In three days 21 points were clipped off the gains scored by the Roosevelt market. This meant an abrupt cancelling of 40 per cent of the rise. In other words, the market passed through a severe reaction which would normally have required about 30 days to accomplish, in the brief space of three trading sessions—or fifteen hours.

In individual stocks the contrast was marked between the standard issues and the volatile "imagination" stocks which pools had whirled to unconscionable heights. Standard issues gave up from 10 to 15 points, with some of the higher priced shares losing around 20 points, as was their proportionate due. Now turn to three of the alcohols. One nose-dived nearly 61 points, another was close beside it with a loss of 60 points. The third dropped 53 points before it leveled off.

There was another point of difference between the standard issues and the "imagination" stocks. There was an orderly market for the conservative stocks nearly every point of the way down. But in the highflyers, trading was demoralized, specialists were swamped with orders, and several-point price variations between sales were common. However, taking the good stocks and the speculative counters, the week of July 22 witnessed one of the sharpest and swiftest reactions, on a percentage basis, in the history of the Stock Exchange.

Grain and various other commodity prices duplicated the debacle in stocks. Wheat lost 26 cents a bushel in two days, cotton slumped $7 or $8 a bale in short order, and rubber prices were sheared of about half their recent sharp advance. The retreat from inflationary price advances was so general that in two or three days it became an all-around rout. The wheat market had to close, and when it reopened later, prices were pegged at minimum levels, with daily fluctuations limited to from 4 to 8 cents, either up or down, on various grains. For the week following the break the Stock Exchange, in order to give hard pressed clerical forces a chance to straighten out snarls and bring their books up to date, limited trading sessions to three hours a day.

Observers will probably differ as to what caused the break. The plain fact of the matter is that the market had worked itself into a weak technical position. Margins were too thin and in some groups stocks were distinctly overbought. At precisely this time, came the Washington ad-



monition that purchasing power must be raised in 60 days. England announced her loan conversion which was interpreted as an attempt to stem the advance of the pound. Finally the banks began to mark down the loan value of some stocks, particularly the "wet" issues and the hour of reckoning arrived. It was inevitable, although its timing and severity were unheralded.

Judged without sentiment, the break was a good thing for the future of the market. It cured numerous weaknesses and emphasized new realities. Among them is the fact that talk of inflation or devaluation of the dollar has become a tremendous force in the elevation of stock prices, as well as prices of commodities. The threat of inflation, however, has not rescinded the law of supply and demand. Wall Street has a little too complacently assumed that stock prices were geared to fluctuations of the dollar in foreign exchange markets. The dollar did rise when stocks broke, but its rise appeared to be more of a reflection of the drop in stocks than anything else. Moreover, its rise was very slight in comparison. In terms of francs, the dollar rose only 4 1/3 per cent, from July 19 to July 21, while stocks fell nearly 21½ per cent from their tops.

Stocks having dipped at their lows to just above the levels of mid-May, can now be purchased with more confidence than at any time during the last two months.

The plain facts of the matter seem to indicate that while stocks may be geared to the dollar and undoubtedly will respond to future inflationary developments, there will be considerable leeway for them to do some "free-wheeling" on their own—either forward or in reverse. In the future the stock market will probably strive to keep this lesson in mind. If it does, the reaction, heartbreaking as it was, will have been worth all it cost.

At least, the drastic price correction has had the effect of clearing the atmosphere. The need of it had long been apparent and its long postponement had placed the market on a false basis. The immediate effect, therefore, was to bring into the market, in volume, buying orders from many sources previously unfriendly to the continued advance. These people regarded the break as an almost unexampled buying opportunity. For this reason the market was able to right itself in a remarkably short time and distress selling was so quickly absorbed that the market was in full swing on a sizable rally within three or four days after low prices were reached. Within a week nearly half of the loss had been recovered. The grain markets also rallied sturdily, aided by crop statistics which produced buyers willing to take over weakened accounts at sharply higher prices.

Most impressive has been the fact that neither the stock nor the commodity price breaks has generated any perceptible pessimism as to the longer outlook. This attitude is in marked contrast to what happened last autumn. The stock market required 30 days then, to go through a 20-point reaction, from about mid-September to mid-October. And the sentimental reaction was far worse than the performance of stocks; hope crashed along with stocks. Popular sentiment went back to the low level of the previous June when the commonly held view was that we were "on the way out." Now, only a few days after what might have been a disheartening break, hope is as high as ever.

Technically, something is also to be made of the fact that the market average of rails and industrials found support fully 5 points above the high level of last September. Considering the velocity of the decline, it would not have been surprising had the market reached that level. In fact, the surprising thing was that it didn't. It was also surprising that the market was able to go from reaction into recovery, without a pause. This action testifies strongly to the undiminished vigor of the demand for stocks which was able to reassert itself despite the crippled condition of probably thousands of accounts.

It is probably true that many "dead horses" were left in the path of the selling deluge. And, though the market completed its reaction in three hectic days, it should require a few weeks to restore the market structure in preparation for the resumption of a broad advance. If the market moves in orthodox manner—something which the current furore makes it unsafe to rely upon—it should test the lows of July 21 before getting into its renewed upward stride. Because the market since it became inflation-inspired has not been an orthodox affair, it would seem wise not to wait too long for buying opportunities at lower levels. Indeed, any and all reactions in the way of a secondary decline may be regarded as outstanding buying opportunities in the rails, in utilities, oils and mines, and in the stocks of favored industries. There is no doubt that the second phase of the Roosevelt market, which should get under way in late summer or early autumn, will carry prices of standard issues and speculative leaders well into new high ground. The experience has always been, in a constructive market, that autumn gains exceed those of the spring.

Therefore, while there may be considerable backing and filling, the market should be regarded as now in a very advantageous buying zone. In fact, we believe that stocks, having dipped at their lows to just above the levels of mid-May, can now be purchased with more confidence than at any time during the last two months.

The news from industry continues encouraging. The usual summer recession in some lines, long delayed, is now becoming evident. There is nothing abnormal nor alarming about it, and it should shortly give way to the better feeling of autumn. The response to the President's appeal for the blanket code and the furtherance of "Nira's" aims has been enthusiastic. Fundamental business improvement furnishes the background that should spell success. Carping criticisms are likely to fade out in the improving business picture.

Recent estimates give validity to general impressions of business gains. The National Industrial Conference Board has it that business activity to mid-July recovered about 40 per cent of the ground lost between June, 1929, and March of this year. According to the Federal Reserve Board, the volume of industrial production as measured by the seasonally adjusted index, rose from 77 per cent of the 1923-25 average in May, to 89 per cent in June. The rate was 60 per cent in March.

The Labor Bureau's June index of factory employment rose to 62.8 (1926 as 100), against 58.7 in May, and 55.1 in March. The payroll index for June rose to 43.1, against 38.9 in May, and 33.4 in March. Labor's purchasing power is gradually being built up and the same may be said of agriculture. It is estimated that the farmer's cash income in June was 37 per cent more than for the month in 1932. Despite the break in the grain markets and other farm products widely traded in, the Labor Bureau's index of farm products showed a rise from 61.1 to 62.7 in the week of July 22. Dairy products, hogs, corn and eggs are producing more cash than a year ago, and some districts are reporting the best retail sales in three years. It is said that increased farm spending in the autumn is likely to reveal that even accumulated stocks of finished goods are short. (*Please turn to page 404*)

What the Rubber Dollar Means to Business and Investment

Price Stabilization by Managed Currency or by Nationally Managed Business—Which?

By Theodore M. Knappen

"Let me be frank in saying that the United States seeks the kind of a dollar which a generation hence will have the same purchasing power and debt paying power as the dollar value we hope to attain in the near future."—Bombshell dropped into the International Economic Conference by President Roosevelt on July 3.

THIS sensational pronouncement was immediately interpreted to mean that President Roosevelt was intent upon the introduction of a managed currency in the United States when the domestic price level shall have returned to what it was in 1926 or whatever other point the President may have in mind. It was further inferred that when that level was attained the President would exercise his authority to devaluate the gold dollar accordingly.

But when a member of "the brain trust" was cautiously asked whether a managed currency was on the program, he warily refused to make a direct answer, finally saying cryptically: "*Watch what General Johnson is doing about the control of production.*"

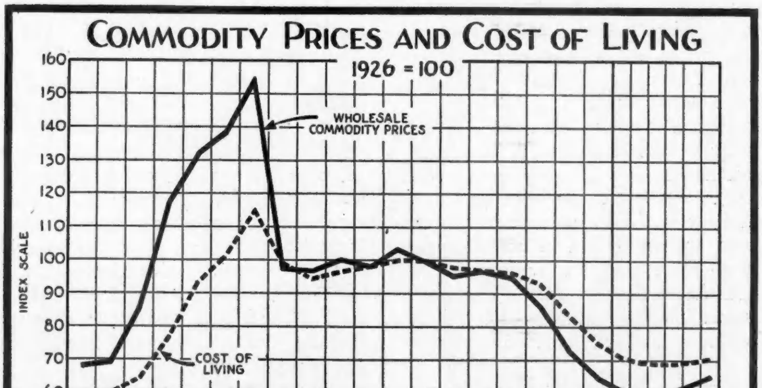
The inference, of course, was that at present the Presidential program looks to affecting the price level by control of production rather than control of the currency.

A managed currency, according to this view, may come later, but the price level is first to be boosted by control of production and direct expansion of purchasing power. This interpretation is now supported by the bold adventure, inaugurated on July 21, of immediately raising the nation's purchasing power and limiting production through a patriotic voluntary movement to raise wages and salaries, shorten working hours and increase employment.

It is even said in Washington that the President has definitely abandoned, for the present at least, all thought of monetary inflation, either through devaluation of the dollar by reduction of its gold content or by inflation of the monetary circulation. Being freed by suspension of the gold standard from external complications, he is represented as concentrating on the plan of raising price levels by direct manipulation of business through the operations of the Industrial Recovery Act, the Farm Relief Act, vast expenditures on public works, re-opening of closed or curtailed banks, expansion of credit through the open market operations of the Federal Reserve banks, and various other measures authorized or directed by recent legislation.

In March and April the President inclined to controlled currency inflation, whatever the form; today he is believed to have made a complete about face—so far as handling the present problem of business recovery is concerned.

Raising the price level is the first objective, then stabilization. But how is stabilization to be effected—so that we shall have the "kind of dollar which a generation hence will have the same purchasing power and debt paying power as the dollar value we hope to attain in the near future"? Grave doubt is entertained as to how effective nationally planned and co-ordinated business can be to that end in the long run. The consensus of opinion is that the management of currency is indispensable, with or without return to the gold standard. This opinion is based on the idea that secular price changes are more dependent upon money than upon production. Production, it is argued, steadily increases over a period of years, but the expansion of money



COMMODITY PRICES AND COST OF LIVING

does not keep even pace with it. Hence, is the conclusion, money must be managed to accommodate the fluctuations in production if a stable price level is to be maintained. Money is here used in the broad sense—including bank credit as well as currency.

Managed Currency in a Nutshell

A managed currency is one that is so controlled that it makes for a stabilized price level. Assuming that price is in the main a balance between money and goods it proposes to keep prices level by changing the volume of money or the commodity value of gold in the dollar. The latter is effected by frequent compensatory changes in the weight of gold in the dollar as prices go up or down. The gold standard would be retained but it would be an elastic standard. With the gold standard system eliminated, a managed currency is simply a matter of regulating the volume of legal tender. The objective of a managed currency is the maintenance of fixed purchasing power for money—so that the dollar lent will always be, in effect, the dollar repaid.

The idea is not new. It was first entertained many years ago from the point of view that under the universal use of the gold standard prices were primarily determined by the amount of monetary gold in the world and/or by the control of it. One of the plans for stabilizing prices was to limit the production of gold by an international agreement of the gold-producing nations. The other was to substitute an index dollar (or other gold unit) for the fixed weight unit which we have had. This plan was popularized in the United States by Prof. Irving Fisher. In brief, he would increase the gold weight of the dollar or decrease it in order to offset price variations from an established level, as revealed from time to time by an index of wholesale commodity prices. There would be no gold in circulation, but all forms of money would be convertible into gold bullion. All the gold reserves would be held by the Government, and in place of them the banks would have gold certificates. They would be unlike the present gold certificates in that while they would represent a fixed number of dollars they would not represent a fixed weight of gold, the latter being subject to change as often as once a month accordingly as prices rose or fell.

If the price level rose, the gold content of the dollar would be proportionately increased; and correspondingly reduced if prices fell. At the same time the gold certificates would be altered in volume by withdrawal or fresh issues in order to keep their total in a fixed ratio with the gold stock. Recognizing that while changing weight of the dollar would indirectly affect the amount of currency and credit in circulation, prices are primarily determined by that amount, Professor Fisher would also invoke open market operations by the Reserve Banks.

The original Goldsborough Bill which attracted so much attention in the 73rd Congress embodied the Fisher scheme. In the then prevailing orthodox view that the gold dollar was sacredly immutable, it was eventually changed to a mandate to the Federal Reserve banks to manipulate the price level through all the powers within its control, such as open market operations—the buying and selling of Government obligations—and the rediscount rate. The latter form of the bill was essentially the same as that of the bill introduced into Congress in 1926 by Representative Strong of Kansas.

Actually, the objective of this bill as of a managed currency—price stabilization—was practiced by the Federal Reserve system so long as the late Governor Strong of the New York Federal Reserve Bank, dominated Federal Reserve policy. From 1922 until 1927 the American price level was quite steadily maintained. In effect and without proclamation the United States had a controlled currency on the bank deposit, or credit, side. Incidentally, it is interesting to note that the Federal Reserve deflation of credit in 1920 was opposed by Governor Strong. If he had had his way then, it is said, the country would not have experienced the violent price collapse of 1920-21; and if he had lived and been in authority in 1927-29 Federal Reserve policy would have prevented the excesses of that boom period and, correspondingly, its deplorable after effects.

Now that we are no longer tied to the gold standard, although nominally it is still with us; and actually in determining prices in foreign currencies, the question arises whether it need be considered at all in adopting a "compensated dollar," as the commodity index dollar is sometimes called. With gold practically out of the picture, it would seem that regulation of currency and credit would be sufficient. From a strictly domestic point of view gold would be superfluous to the establishment of a compensated dollar if the country were to remain as at present on an incontrovertible currency basis.

The Government and the Reserve System could obviously control the amount of money in such a way as to maintain a stable price level. But gold is so associated with ultimate value in the popular mind that it is thought necessary to keep it in the picture, even if in so doing it is deprived of every trace of fixity of value supposedly conferred by the mint stamp. Otherwise it would certainly be more workable to eliminate gold in law as well as in practice. With a controlled paper currency, money could be considered as merely a negotiable certificate to a given quantity of goods or services; merely a means by which titles to them would be passed from hand to hand or accumulated. If the volume of business needed more or less money to maintain a given price level it could be easily accommodated. Under the gold standard or any substantial standard money has the attribute of a commodity as well as that of legal tender.

At least one solid and conservative country—Sweden—now has a managed currency. For more than two years Sweden has maintained approximately level prices entirely through banking processes, the government refraining, of course, from currency manipulation. The United Kingdom has, in a way, done the same thing, although without definite adoption of a commodity index base. Domestic prices have been maintained fairly stable ever since that country left gold, thanks to a firm policy of anti-inflation by the Government, and currency and credit control by the Bank of England.

Whatever the proposed technique of arriving at a dollar that will have the same purchasing power through the years, the objective is always the maintenance of an unchanging general level of prices. Individual commodities will go up and down according to the variations of supply and demand but, theoretically, if their variations amount

to enough to affect appreciably the aggregate commodity index — say of the 784 commodities of the U. S. Bureau of Labor Statistics a compensating change will be effected in prices through adjustment of the currency. If potatoes, for example, so increased in price as to affect the index the compensatory adjustment of the currency would reduce the price of other commodities. On the other hand, if some commodity, bread for example, declined in price enough to affect the index to the point where the compensating mechanism would be called into play, other prices would slightly rise.

The question might be raised of whether a fixed price level would not bring about stagnation in the improvement of technique and the development of invention. The gain incentive to the introduction of better machinery or processes is the economic motive of progress. The inventor or exploiter counts on increased profits, although eventually lower prices tend to result. In his book on "Planned Money" Basil P. Blackett argues that the situation would not be essentially changed. Taking steel for illustration, he says that a reduction in the costs of production would eventually benefit the consumers of steel in lower prices. Those consumers, having to pay less for steel than before, would spend more money on other products; eventually there would be an all-'round expansion of demand for other commodities, causing their price to rise; thus leaving the index number at par or moving it back to par. At this stage the prices of many commodities will be higher than before, but their costs of production will not have increased.

The result would be that the stockholders in the industries producing the benefited commodities would have an extra margin of profit to their credit. The stockholder might be content to drop the discussion at this point, but Mr. Blackett insists that part of the increased margin of profit must be diverted to an increase of salaries and wages, so that the entire community may profit by the new process or invention. This insistence reminds us that a stable price is not a panacea for industrial ills. There must still be economic planning and compulsion. But the fixed general price level would, it is assumed, result in a virtual elimination of booms and slumps in business. At present a new invention, if exploited during a slump, only makes the depression worse.

It would appear from the foregoing that the consumer, as such, might often have a complaint on the score that a price depression of magnitude at one point in the price list would cause him to pay more for other things in the process of maintaining the index level. He might actually be out of pocket by reason of the increase of prices of goods he buys resulting from a decrease in something that he does not buy at all. The answer to that is that it is presupposed that his increased income resulting from his share of the increased margin of profit all 'round would be much greater.

The investor might not find a fixed price level entirely to his liking. The ideal situation for the man who is entirely or chiefly dependent upon income from bonds or other sources of fixed income is that created by a slowly falling price level. Not being a wage or salary earner, or a stockholder, he would not share in the increased remuneration that would be expected for services under a fixed price-level regime. Indeed, he would have to pay more for the personal services rendered to him. On the other hand, the interest-eater would be absolved from his present risk of rising prices reducing his real income. This would be offset by the probable loss of most of the chance for an appreciation of the value of his bonds.

This diminution of the attractiveness of investments in fixed income securities, together with the greatly enhanced probability of dividends and steady prices of equities should operate to divert capital from bonds to common stocks. This would not be an unwelcome diversion according to some of our new deal economists, who consider that from now on the great problem of maintaining a balanced economy is to spend much for consumption goods and have little left for new production capital. As they see it, savings are in a large measure a curse, because they are an inducement for the creation of debt in the financing of increased production — at a time in the world's economic development when the real problem is to keep consumption up to production.

Under the regime of the compensated

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The New American Melody

Industries Embark on Extensive Program to Recreate Buying Power.

Will Increasing Labor Costs Be Offset by Larger Volume?

Can Prices Be Controlled to Prevent Living Costs from Rising as Rapidly as New Consumption Is Generated?

Profits or Losses Under the New Codes

By JULIUS KLEIN

Former Assistant Secretary of Commerce

ONE of the principal reasons why business has been able to swing into action on such a wide front in the code "sector" of President Roosevelt's industrial recovery drive is that business has, for years, been preaching and working toward self-regulation through the codes and rules of its trade associations.

To the average citizen the widespread discussion of codes comes as a decided novelty, but to those in touch over the past few years with the countless organized activities of American business, the current fervor of code analysis has many, long familiar aspects. And this past experience is well worthy of careful scrutiny at this time particularly because of its pitfalls which are bound to recur as business undertakes its nation-wide codification program.

Only a Beginning

In the first place perhaps the outstanding lesson of that experience has been the vital conclusion that the codification of an industry's supposedly best practices does not solve its problems; it really *begins* them. All too many executives of trade groups seem to feel that the conclusion of the code ends all worries; on the contrary, the code simply sets up and defines the objectives to be attained and it is the extent of that attainment which will measure the degree of our progress toward recovery.

The most deftly drawn code in the world is a mere futility of verbiage unless it becomes a reality as to job-making and as to competitive malpractice correction. It must, therefore, be effectively equipped with result-getting machinery along this line, otherwise it becomes nothing but a bit of pious hokum.

Many of the codes thus far formulated have been worked out in good faith with these objectives in mind. In other recent cases, however, it is clear that the code is being used as a subterfuge to accomplish purposes not at all stipulated in the Act. Some of these purposes are legitimate, long-desired reforms; others are distinctly more dubious. But in any case the new codes can certainly not be used by industry as a convenient hold-all for putting through a collection of sundry improvements in its accepted standards of behavior, however laudable they may be. The consummation of miscellaneous pet hobbies of the different factions which exist in every sizeable industry is clearly not the intended purpose of this profoundly serious re-employment effort.

Simplicity Essential

And, conversely, from the point of view of governmental authority, the codes cannot be the means of accumulating a vast array of detailed, over-precise regulations and stipulations. Those in charge of this great experiment are evidently fully conscious of the many advantages of simplified, readily understood codes capable of widespread adaptation. They have wisely declared that they will not countenance any attempt to regiment the limitless complexities of American industry with elaborately detailed marching orders and meticulously exact restrictions. Industrial leadership would be prudent indeed if it adhered to this principle rather than to try for official sanction for a long array of minute formulae.

One of the first obstacles in the enforcement of the codes will obviously spring from the fact that the industrial structure of the nation is by no means confined to a small number of large, readily accessible plants. Millions of workers are employed in what the census described as "establishments" which are little more than back-rooms, attics, or cellars of dwellings. To bring these "plants" under the corrective influence of the codes is a task of appalling perplexities and the enforcement efforts of the associations should therefore be given every possible backing on the part of the press, the consumers, and the nation as a whole.

As one phase of this grave problem of code enforcement it may be noted that scores of industries of major job-possibilities are in this category of home-work, of the old "putting-out" system whereby manufacturers supply families with partly finished goods for further preparation. To police this dark jungle of our industrial order is obviously out of the question for any governmental regime; the possibilities of bureaucratic excesses, fraud, and mountainous tax burdens are too obvious to require comment. But much can be accomplished by a vigilant press, vigorous trade association leadership, and, above all, genuinely

collaborative consumers, both as individuals and through clubs and countless other organizations.

Marginal Producers

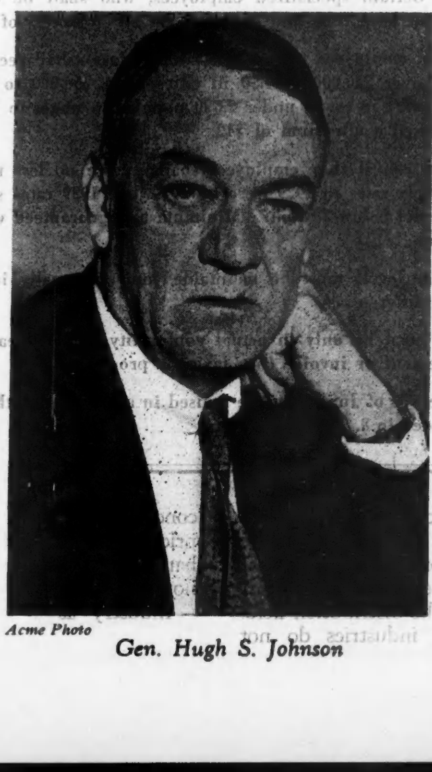
Another difficulty in code procedure is the danger of constructing its rules so as to condone the inefficiency of marginal producers. If its terms are framed with that in mind, in the hope perhaps of enlisting the endorsement of some additional elements in the given trade, then the code will certainly defeat its own purposes. It will burden itself and its consumers with unwarranted costs which are bound to encourage some rival industry or other competitive group. This possibility was clearly indicated in the unfortunate experience of various European cartels whose codifications of trade standards and practices were geared to the weaker, less progressive members of their crafts with disastrous consequences to the entire industry.

No code will long survive the vigilant scrutiny either of the officials in charge or of the general public which in any way entrenches reactionary antiquated methods or monopolistic desires. The prescriptions of the law are quite plain on this point. Certainly one of the outstanding reasons for American industrial achievement has always been and will, let us hope, continue to be the maintenance of fullest liberty for initiative, for new methods, new ideas. No attempt to codify the *status quo* into permanency can stand in the way of this ever restless urge of the American industrial spirit toward new objectives, new goals.

Industry Has Tried It Before

One fortunate thing about this "new" business co-operation or partnership with government is that it isn't new at all. Happily it has not been necessary to resort to entirely novel devices and methods. During the fiscal year 1932, for example, no fewer than 416 nationally-known trade associations were reconstructing their trade codes and practices in partnership with the Bureau of Standards, the great business scientific laboratory of the Department of Commerce. Their total recorded membership was then 105,000. That means 105,000 individual American companies and corporations co-operating with Uncle Sam to eliminate industrial waste through simplification and standardization. Similarly, the Bureau of Foreign and Domestic Commerce had close trade practice contacts with about 500 of the 1,200 national commercial trade associations. The Bureau of the Census, too, has long maintained close relations with hundreds of associations which have supplied it and continue to supply it with basic trade data for census figures.

Even more to the point in this connection, trade associations have for 12 years attempted to regulate business through the important Federal Trade Commission trade practice conferences. Such a regulation closely approached a legal status. However, the handicaps of the restrictions of Federal antitrust laws oftentimes nullified or seriously cramped regulatory powers of industrial agreements. Selling below cost, price discrimination, rebates, secret allowances—all more or less well-known unfair trade practices were discussed and even listed. But the trade practice conference regulations were not always easily enforced, and more often than not lacked the unanimity without which self-regulation could not work. About 25 per cent of the national associations at one time or another attempted Federal Trade Commission trade practice regulation.



Acme Photo

Gen. Hugh S. Johnson

Self-Regulation

What is new, and vital, and of vast importance, in the National Industrial Recovery Act, is that now practically *every* trade association, large and small, is given the opportunity to do what so many have tried in the past; namely, self-regulation of industry. Furthermore, a unanimity of effort is prescribed by law and is given the powerful sanction of a great federal agency.

The law specifically prescribes that "upon application to the President by one or more trade or industrial associations or groups, the President may approve a code or codes of fair competition for the trade or industry or subdivision thereof." In general, the requirements are that the industry or trade association shall be truly representative (apparently about 75 per cent of both volume and numbers), shall impose no inequitable restrictions to membership, shall not promote monopolies, and shall grant labor the free and unquestioned right to join associations of its own choosing. And, the two absolute essentials in the first codes, without which no code will be even considered, are definite minimum wages, (for the lowest unskilled labor class at least) and definite maximum hours. The general aim is towards a 30- to 34-hour week, with a minimum present weekly wage of around $14—subject to increase later as things improve.

The President's blanket code, calling upon the entire country to co-operate immediately by raising wages and reducing hours, promulgated on July 21, calls for a definite pledge from every employer of labor to observe the conditions set forth in the accompanying summary.

The marshalled forces of public opinion are to be aroused to support this national or blanket code, pending the submittal on the part of each industry or trade of its own code. The final date has been set as of September 1, after which date the President will exercise his power to proclaim hearings and prescribe codes for such industries or trades as may not have by then submitted their own codes.

Hundreds of national trade associations have been diligently endeavoring to reconcile the many conflicting points of view in the formulation of suitable codes. Several score tentative codes have been prepared. It is interesting, in the light of the new blanket code of the President's, to compare the various codes already in tentative form.

A pretty general national agreement seems to exist for the 40-hour week provision. Exceptions are noted in the cases of National Retail associations, where the cutting down of present hours to 40 might seriously interfere with their essential function of service to the

public. Thus the National Retail Dry Goods Association proposes a 48-hour week, whereas the first tentative draft of the National Association of Retail Grocers makes provision for 48 hours for women and 54 hours for men. In certain regions, the lumber and timber producers also stipulate a 48-hour week.

The matter of minimum wages offers of course a more complicated picture. Whereas the President's code stipulates a minimum of $12 for the white collar employee in the smallest town, running up to $15 minimum in the cities, and $14 a week wage for labor, industry itself proposes variations running from $9 weekly for female help in certain retail establishments, and a minimum of $20.40 for male employees in certain lumber regions. In between lies a series of wage scales, in which industry is itself attempting to arrive at an equitable wage scale for the type of work done.

The cotton textile industry proposes to establish two national zones, north and south, with minimum of $13 and $12, respectively. The rayon weaving, soil pipe, shipbuilding and clothing industries likewise accept the two zones of north and south, making in general a slight differential in favor of the northern district. The general average, however, seems to run close to between $12 and $14. The President's $14 wage rate per week would therefore not be out of line with the majority of sentiment in industry, with certain exceptions, and, of course, making suitable provision for beginners, certain types of temporary and "outside" employees, and perhaps in some isolated cases certain minor office help. Some industries will probably declare for a lower minimum wage, perhaps $12.

Almost universal unanimity exists with respect to the banning of child labor. Since the article was written into the Cotton Textile Code, the phrase "minors under 16" has become practically as common as the provision for a 40-hour week. Notable exceptions occur, especially in the present tentative codes in the distribution field. The petroleum and the shipbuilding industries do not specifically ban child labor. In certain industries, of course, calling either for a high degree of specialization or mature physical development, the child labor problem has not been as prominent as in others.

A Summary of the President's Blanket Code

1. **Abolish child labor (all children under 16 except that children between 14-16 may be employed 3 hours a day, but *not* in manufacturing or mechanical industries, and then only during daylight hours.)**
2. **Not work any office employee, store clerk, or delivery wagon employee more than 40 hours a week nor to reduce the hours of any store or service operator below 52 (unless they were below 52 on July 1, 1933, in which case they will not be reduced further.)**
3. **Not to employ any factory or mechanical worker more than 35 hours a week, except that they may work 40 "hours for any 6-week period" between August 1 and December 1, 1933, (but no employee shall work more than 8 hours in any one day).**
4. ***Exceptions* are where a business employs not more than 2 persons, and is located in a town of less than 2,500 population not part of a large trading area.**
   - **(a) further exceptions—**
     1. **Pharmacists**
     2. **Professional persons**
     3. **Managers and executives receiving over $35 weekly**
     4. **Certain specialized employees, who shall be compensated by at least time and one-third for all in excess of maximum.**
5. **Office and clerical employees (the "white collar" class) shall receive a minimum of $15 in cities over 500,000; $14.50 in cities from 250,000 to 500,000; $14 in cities down to 2,500; in towns under 2,500 population wages to be raised 20 per cent but not exceed a minimum of $12.**
6. **Factory and mechanical shop employees shall receive no less than 40 cents an hour, unless hourly rates in 1929 were lower; when 1929 rates shall prevail provided they were not below 30 cents. Minimum rate guaranteed whether on piecework or time rate.**
7. **All present wage levels must be maintained and eventually increased to take care of present differentials.**
8. **Price increases must be only in actual conformity with increased cost of production, replacement or invoice cost, taxes or processing fees.**
9. **Existing contracts as of June 16 to be revised in accordance with actual price increases as provided in 8.**

From the point of view of labor it is thus evident that the codes are sweeping forward on a wide frontal attack toward the objectives of higher wages, lesser hours, better social and working conditions. But, from the point of view of management, of course, the vital question is how the increased costs arising from the above labor improvements are to be met. There is bound to be a lag before buying activity is resumed. Workers are likely to use their increased compensations to pay up old debts, to help distressed relations and in many other ways before they increase purchases of consumer goods. It seems, therefore, to be highly essential that this grave difficulty of management and ownership in our trades and industries be fully considered on a parity with the solution of the serious labor problems just mentioned.

As a partial contribution in this direction the matter of price control, or actual price fixing, has received a great deal of attention. This is especially important to all distributing trades, although, of course, of vital interest to manufacturers as well. In general, codes are providing for a prohibition of below-cost selling. A general definition of below-cost selling is not now available, but might be termed roughly replacement cost, plus distribution cost. Just where an average is to be found, or a set percentage, has not yet been determined. This calls naturally for specialized and careful knowledge and information. Declarations for open price lists and open price concessions are many, with definite declarations against secret price concessions, rebates, premiums, and various other forms of price and credit abuses. Production control, on the other hand, is provided for only in a few cases. Petroleum is a notable example of the allocation of production provisions.

Industry as a whole realizes that it is the aim and

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France Fights for Gold

With Exports Falling, Foreign Exchange Credits Depleted, the Budget Unbalanced and Industry Slowing Up, Investors Demand Adherence to Gold

By John C. Cresswill

TO the French the world is turned upside down. After the war they suffered great hardships as the penalty of that inevitable inflation which won the war in a fiscal sense. "Never again!" said the people of France with one voice. And they set out to become the world's exemplars of sound money.

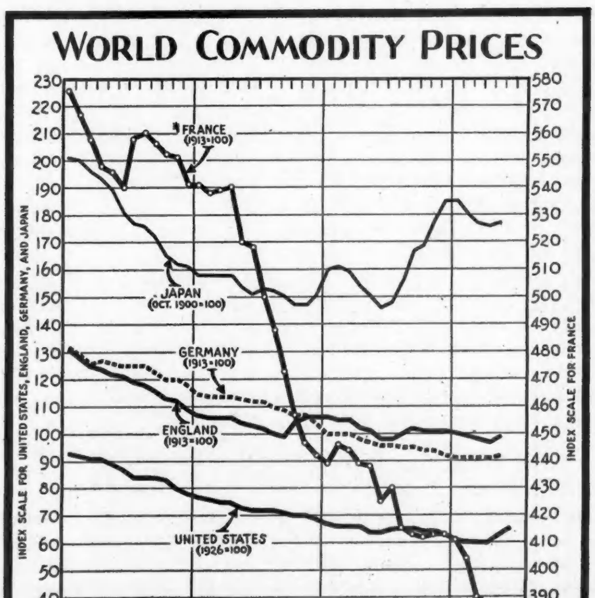
They achieved their goal. Relative to population they amassed the greatest gold reserve the world has ever seen. They have put over 90 cents in gold behind every dollar's worth of their currency, and the gold coverage of deposits and currency is about 80. The franc became the very symbol of monetary impregnability, and the foreign financial relations of the Republic were so adroitly controlled that the franc was unshaken while even the dollar wavered.

The national policy of maximum commercial self-containment was thus supplemented by a seemingly unassailable monetary and financial independence. Austria, Germany, England and finally the United States deserted their gold-built strongholds, but France still stuck to hard money.

Now, after all their sacrifices and their fidelity to the financial religion of a sound monetary system, broadly founded on gold, the French find that virtue is far from being its own reward. Inflation and abandonment of gold have swept the world, the inviolate franc draws a flood of imports to the peril of domestic industry and raises a barrier at almost every port of the world against French exports. Public revenues decline and private profits wane as taxes rise, and the Government, confronted by a thrifty population that detests taxes worse than poison, runs into a huge deficit of the ordinary budget.

Nevertheless France still stands firm for the gold standard. Nor is this stand a mere bigoted worship of gold by doctrinnaire economists. It is supported by the rank and file of the people, who remember that the inflation that followed the war robbed them of 80 per cent of their savings. Another depreciation of the franc seems to promise final ruin. Overthrow of gold in the present temper of the solid stratum of French society might mean revolution or at least the coming of a reactionary government. The French rentier is immune to every argument that the course of world events has turned his citadel of sound money into a death-trap, and that his devotion to gold may be the ruin of French business. He cannot see that in standing by gold he may presently have to confront a shattered national economy.

When the International Economic Conference broke down on the rock of French insistence on monetary stabilization, the French, just as much as the Americans, packed their bags and went home to fight the battle out on lines of intensified nationalism. If France had no important foreign trade, the world could spree with cheap money as much as it pleased and France could go, carefree, the golden way. But a measure of such trade is vital. She is lacking in many important raw materials. To import them she must export French products. The balance of trade sets strongly against her in a cheap money world. Day by day it takes more and more in foreign currencies to buy French goods. One of the greatest items in French exports—although not of the kind recorded in customs house figures—has been the tourist business. The general depression hit that business hard but the flight of the world from the gold standard has hit it harder. Today, if an American takes a thousand dollars to France it will buy him only $700 worth of francs with which to pay his bills. If he goes to England he can trade his dollars for pounds at almost par. Not only are the tourists avoiding France but the great colony of expatriates of all nationalities are packing their trunks and returning to the home lands from which



their incomes are now derived in soft money currencies.

Internally France has so far come through the world depression with less commotion and distress than any other great country. In all of France, with her 42,000,000 people there are only 342,000 registered as unemployed. There are doubtless many more, but the fact that they do not register is a proof that they are not in destitution. Of course, the situation has been managed. Foreign laborers have been repatriated except in such industries as iron and steel the heavy work of which it not to the Frenchman's liking, and there has been a considerable program of public works. But now industry is slowing up, prices, always high in France since the war, are again rising—rising not in cheap money but in gold—and tariffs have been elevated and quotas remorselessly applied to imports.

After all, France finds herself greatly dependent upon world conditions.

Will France Strike Back?

France's recent "clerical error," whereby it was announced that she had incidentally tremendously increased duties on a long list of American goods whilst nominally retaliating against recent German tariff increases, is a reminder of what France may yet do in the battle for the franc. At present France imports from the United States twice as much as she exports. In order to offset this drain on her gold or her foreign exchange credits she may conceivably, by quota regulation and higher tariffs, bring exports and imports to a balance. In that sort of a campaign she will have to meet reprisals, but the outlook is that her savings classes will force her to the limit of endurance before they will chance another contraction of their investments.

Agriculturally, France is in a strong position of independence so far as subsistence goes. This year she actually has a surplus of wheat. But this physical surplus is accompanied by an alarming price problem. For some years high protective duties and quotas kept French wheat prices far above world levels. That policy brought the cherished bread independence but it also brought a crash of the protected domestic price. The very abundance of native wheat has driven it down. Agriculture is still the backbone of France, and and the Government is at its wits' ends to save the wheat raisers who had been kept afloat when all other farmers were being crushed by the decline of business. At present the price of wheat is arbitrarily maintained by law at 30 francs the quintal above the last open market price. The wine growers are also in despair. And both wheat and wine producers have struck at one hope of French self-containment—imperial self-containment. They have demanded duties on the wheat and wine of the colonies, although without success. On the other hand the Frenchman has begun to demand foreign foods; especially American fruits, canned, fresh and dried.

Industrially, France has developed so much since the war that certain industries have passed the bounds of home consumption and have thus weakened French independence of the outside world. One kind of dependence has been converted into the opposite—too much has succeeded too little. At capacity the iron and steel industry requires foreign markets for 50 or 60 per cent of its production; even the chemical industry between 10 and 20 per cent; and textiles, 40 per cent.

It will require a long time to build the colonies up to supply the home market with its cotton, and they are deficient in petroleum, copper and some other non-ferrous ores. Eventually the French share of the Irak Petroleum Company may become the virtual equivalent of an adequate oil supply within French territory.

Thus the world's rejection of the gold standard, although reducing the prices France has to pay for some of her imported raw materials, has made it difficult, if not impossible, to pay for them in French goods and services. That is one of the obvious reasons why France fought to the last ditch at the London conference for immediate stabilization of currencies. Every point the sacred French franc advances is marked by losses of French business at home and abroad. It is doubtless flattering to French pride to have the best money in the world—the money to which all other currencies defer, but it digs no truffles and dresses no snails.

The French are a tough race and can and will take a lot of commercial punishment before they will dream of giving up the Verdun of the gold franc. But what always in the end compels the suspension of gold payments is the state of public finances. If public expenditures are allowed to exceed public revenues for any length of time credit is weakened and there invariably comes a moment when inflation of the currency must be resorted to. This is less a rigid rule in France than in other countries for France has always been inclined to public deficits. The tax-hating Frenchman would rather have the government borrow than meet current bills himself, and being always a rentier he is slow to lose faith in a government that follows his behests. But he is also a great business realist. The last Parliament authorized the issuance of treasury bonds to the maximum of 8 billion francs—about 320 million dollars at par — and the first two issues did not arouse much public enthusiasm although baited with liberal maturity premiums, priced at a discount, and bearing interest at 4½ per cent. More lately the favorite Gallic device of a bond lottery has been revived; the investor buys a bond and, perhaps, wins an opulent prize.

Precautionary Measures Taken

Yet at the end of July, the Treasury was in such a comfortable position that it anticipated half of the borrowing of $150,000,000 in May from a group of British banks (for exchange regulation purposes) which does not fall due until November. Moreover, Prime Minister Daladier states that France will put her budget in order when the Chamber of Deputies reassembles in October. "It would be futile," said Daladier, "to hope that the solidity of the franc can be maintained in a regime of permanent and chronic disequilibrium of the national finances." And he added: "It would be senseless to seek by measures of inflation or any kind whatever of currency manipulation a temporary and precarious means of action which would perhaps assure a government of some days of tranquillity but which would soon lead the country to ruin." After all, the deficit of 145 million dollars would hardly be considered a deficit in the United States.

Yet the haste in repaying the British loan and raising and providing funds for other purposes through bond issues, may be interpreted more as a provision against the

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Things to Think About

Speculation

FOR some months preceding July 18 speculation was loudly acclaimed a constructive factor in the general business situation, and the speculator was looked upon with high favor. Who deserved more of his country than the man who sent wheat skyrocketing, and cotton bounding upward like a balloon? The feeling was widespread that the speculator had done more to raise price levels than the progress of events. By his penchant for anticipation he had beneficently brought high prices for commodities and stocks many weeks ahead of their normal development. What could be a more magnificent public service than to spread security by boosting shrinking stock values ten or fifteen billions and to stimulate collapsing business by giving farmers a billion or so of cash and prospects?

But when the President fell ill and General Johnson talked calamitously; and the overdone and overstrung stock market crashed and flaming cereal markets crumbled, the speculator immediately felt every man's hand raised against him, and none were so poor as to do reverence to speculation. Nobody recalled what rising securities prices and soaring commodity quotations had accomplished in garnered profits or added wealth. Everybody had his eye on the five or more points that had been broken off a pinnacle three or four, or more times as high. None recalled the gloom of last March—of the long months—when the speculator was in hiding and speculation was dead.

But, after all, the speculator is blamed for something that he was doing his best to avoid. He was a bull this time, and the markets crashed despite him and without the help of a single bear. They just fell, as anything falls when gravity gets a good chance at it. But even if the speculator had been the villain, was his deed such villainy? Was it an unmitigated calamity for the stock and commodity markets to take a few swift ones on the chin? It was now or later—and for our part we prefer the present to the future. No doubt, some large paper losses and some painfully real cash losses were taken. But the total was not large enough to do anything but reduce the volume of trading in pit and on floor. Losses didn't jar general business a fraction of an inch out of line. They are large enough to knock reason into men headed for speculative mania, but not enough to scare reviving business. Business chugs steadily and serenely upwards, and, by reason of its cropper, speculation also will for a while proceed circumspectly. We wish speculation might keep in line with business throughout the present expansion phase of the cycle. It will not, humans and especially American humans being what they are, but that wish being unrealizable we shall not tear our hair off should the market backslap from time to time; so that their ascending curve, though notched may be roughly parallel to that of business. From a runaway market may the good Lord deliver us, even at the expense of some jolting stops!

* * *

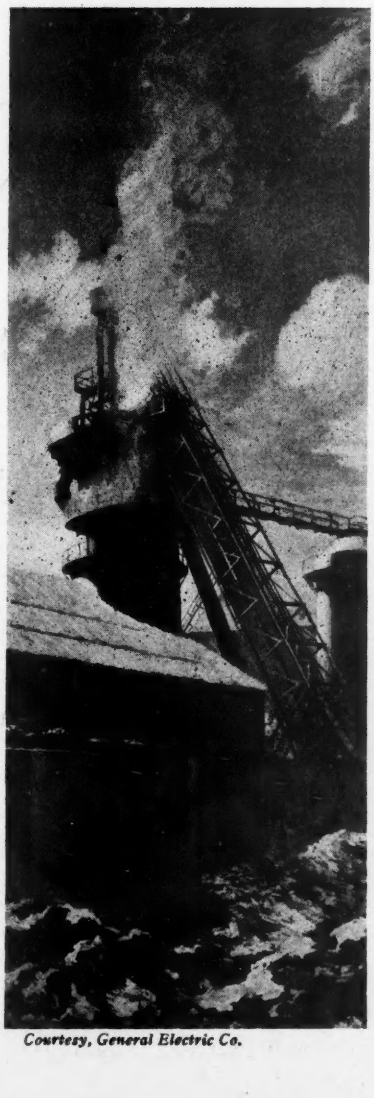
A Trade Poser

For the first time in two years monthly imports exceeded—in June—monthly exports. According to the theory that a currency which is depreciated in international exchange stimulates exports and reduces imports there should have been an unusually large surplus of exports. But after three months of a shrinking dollar we find imports increasing about three times as fast as exports.

One interpretation of this anomaly is that the revival of domestic business has required more foreign raw material, but that does not explain the failure of our exports of manufactured goods to gain. The small gain in exports was chiefly due to increased cotton shipments.

It may be that we are approaching the normal position of a creditor nation, which is an excess of imports. The pressure of debtor nations to discharge their obligations to the United States may be exerting a greater effect on international trade than the depreciation of the dollar. Another explanation may be that the sharp rise in domestic prices has offset the depreciation of the dollar abroad. If the foreign importer finds that while his currency will buy more dollars than it did four months ago, those dollars will purchase only the same quantity of American goods no stimulation of exports results.

A single month of adverse foreign trade proves nothing, but if June trade is a criterion it is a warning that for the present, at least, business recovery is a problem in domestic economy. And that is the way it is being treated. At this stage of low domestic consumption the possibilities of expansion of business at home completely dwarf anything that may be expected from foreign business revival.



Courtesy, General Electric Co.

Wide World Photo

Georgia Farmers Plowing Under Cotton

Agriculture's New Deal

Price Fixing Crop Destruction Farm Bounties
Cotton and Grain Markets The Outlook

By C. S. Burton

ALL of the usual factors relating to agricultural production are more or less overshadowed by the movements of the Administration, looking, in a large way, to a redistribution of the national income upon what it conceives to be a much more equitable basis. It is plain that, as a matter of the national bread and butter, any such plan of readjustment must perforce, begin with agriculture.

It is difficult to realize that we have already proceeded so far along this line that we are actually collecting a special tax from all of the people for the benefit of a part of the people—direct benefit by way of immediate cash payment. That, however, is apparently merely a part of the revolution through which we are passing.

The two principal items of wheat and cotton are now under the processing tax. Thirty cents a bushel on wheat and four and two-tenths cents a pound on cotton. The voluntary curtailment agreements, under which these collections are to be distributed, are being sought from the farmers and accumulated. In addition, we are witnessing a large scale program of crop destruction in cotton while nature is herself cutting down on our cereal production. The outlook for agriculture thus continues its kaleidoscopic characteristic.

Moved by the possibility of inflation and devaluation of the gold dollar, we have been carried along upon a great wave of overdone speculation. There is a fundamental difference between acquiring a line of wheat or corn or cotton, bought on the anticipation of an acceleraing demand by millers, feeders or spinners, and the acquiring of such lines on the mere anticipation that they can be sold to someone for a higher price.

The speculative frenzy has resulted in a curtailment of the hours of trading on the exchanges. Prices, which had been driven up to high levels all too rapidly, broke very badly. Our entire situation, due in the larger part, apparently, to the outbreak of the speculative spirit, had been carried ahead too quickly and too far in advance of any solidly conceived recovery. The Chicago Board of Trade, where the speculation in grain and provisions is centered, has not only curtailed the hours of trading but has set a limit upon any one day's price fluctuations. This is, of course, tantamount to limiting the volume; for example, the limit in wheat is fixed at 8 cents above or below the average of the previous day's closing prices; when whatever bids and offers there may be in the market within this limit have been satisfied, the market simply comes to a standstill. If the market holds its trend overnight it continues each day from the point at which it left off the day previous.

Speculation in the stock market, which has also brought

about the curtailment of trading hours, and that in the grain markets, has found its expression in business in increased inventories which have been built up in many lines, anticipating the time when the public may be expected to prefer to own goods—commodities—rather than to hold currency or corporate obligations.

As to the wheat market, Nature took the master hand and gave speculation a grand fillip. We are reaping the smallest crop in many years. Present indications are for a winter wheat harvest—now practically completed—of less than 336,000,000 bushels, against 462,000,000 bushels last year; and a five-year average, 1926-1930, of 590,000,000 bushels. The current harvest, then, is about 57% of normal, and for the first time in sixty-five years, we are going to need for our own use all the year's wheat crop. Spring wheat suffered from heat and drought; the early estimates were cut down to 160,000,000 against the five-year average of 206,000,000 bushels and the daily reports indicate that even this estimate is considerably too high. The crop is to be the smallest since 1893, when the harvest was 427,553,000 bushels, but we have 40,000,000 more mouths to feed now than we had forty years ago.

Thus, Nature, ignoring the newly empowered Secretary of Agriculture, even as he insists upon ignoring Nature, is about to throw our wheat farmers into the shelter of our tariff wall, 42 cents high; whereupon we may expect further advances in price, additional height in the tariff wall will be demanded, again and again, once its efficacy is recognized. Farmers will be but taking a leaf out of the book of the industrialists as they have for years clamored for an opportunity to do; they, too, will declare that if a little is good, more is better.

How quickly we could arrive at such a situation in regard to our tariff may be seen in the recent market. May wheat in Chicago got up to $1.34⅜ a bushel on July 17; another 2 to 4 cents up, and profitable contracts could have been made for cargoes of Argentine wheat to come in. Of course, the tariff would have been raised before the volume could have grown beyond mere demonstration of such a possibility. Rye has been coming in from abroad, paying an impost of 15 cents a bushel. Imports have been from the Argentine and from Canada. In view of the prospect for increased use of rye by distillers, we may expect an increase in the custom duty levied upon this grain. It may even be that, as the price of wheat comes to be made up of the world price plus the tariff of 42 cents, plus the processing tax of 30 cents, we may see the wheat loaf displaced by the rye bread. However, the crest of the wave of speculation broke on the 21st, the Chicago Board of Trade remained closed from Thursday until Monday, and in addition to limiting fluctuations, the Board established minimum prices—on May wheat $1, thus registering a decline of 27 per cent from the high. Rye made a high of $1.20 on July 18; the opening minimum price on the 24th was 81½ cents for the May option; marking a decline from the high of 32½ per cent. Under such confused conditions a commentator can hardly do more than chronicle passing events.

It has been announced that, in any event, crop shortage or no crop shortage, the acreage curtailment plans of the Agricultural Adjustment Administration are to be carried through. The wheat harvest having been completed, such curtailment will have to do with this fall's seeding; it will not entail destruction of any growing wheat.

In cotton there is a different situation. Planters were asked to destroy up to 40 per cent of a crop already growing and the staple advancing in price. According to the last statement of the Department, more than 10 million acres have been offered to the Department for leasing. The tasks of examination are under way.

It has already been said that in some lines there had been marked activity in building up inventories. In this spurt cotton mills took the lead. June cotton consumption was 696,472 running bales of lint cotton—348,236,000 pounds, if we count full 500 pounds to the bale—if it escapes the processing tax, it means the industry has saved itself $14,525,912, which obviously is the reason for this unprecedented activity. These June takings are the largest reported for any one month since the Census Bureau inaugurated its monthly reports twenty-one years ago.

The Administration's proposal to the cotton growers is briefly that in consideration of the destruction of some agreed part of his growing cotton, the planter shall receive cash, based on his land's last production, on the following schedule:

Pounds Yield per Acre			*Benefit Payment per Acre*	*or*	*With Option*
100	to	124	$ 7		$ 6
125	to	149	$ 9		$ 7
150	to	174	$11		$ 8
175	to	224	$14		$10
225	to	274	$17		$11
275	and	over	$20		$12

An alternative offer permits the planter to take less cash and for the balance of the payment acquire options on Government cotton at 6 cents per pound as above "with option." The cash payments are to be made as soon as the administration's agencies report that the cotton has been turned under. Government announcement says "land taken out of cotton production may be used for the production of soil-improvement or erosion, preventing crops or feed and feed-crops for home use." (It is announced that the first

Estimated Price of Farm Products Received by Farmers May 15, 1933, with Comparisons

Date	Wheat per bu. cents	Corn per bu. cents	Oats per bu. cents	Rye per bu. cents	Cotton per pound cents
5 year average 1909 to 1914					
Aug. to July	88.4	64.2	39.9	72.0	12.4
1931—May 15	59.9	56.3	28.6	33.0	8.8
1932—May 15	42.4	30.1	21.8	33.4	5.2
June 15	37.3	29.4	19.8	28.8	4.6
July 15	35.6	29.9	17.5	22.0	5.1
Aug. 15	38.5	30.2	14.8	23.3	6.5
Sept. 15	37.4	28.0	14.4	23.6	7.2
Oct. 15	34.6	21.6	13.1	22.3	6.4
Nov. 15	32.8	19.4	13.1	22.1	5.9
Dec. 15	31.6	18.8	13.0	21.1	5.4
1933—Jan. 15	32.9	19.1	13.4	22.7	5.6
Feb. 15	32.3	19.4	13.3	21.9	5.5
March 15	34.5	20.6	13.7	22.8	6.1
April 15	44.8	28.2	17.0	30.1	6.1
May 15	59.0	38.9	21.7	38.9	8.2

payments will aggregate approximately $90,000,000.)

Without going into detail as to the acreage offered in the various states, it is interesting to note that Texas offers by far the greatest area for destruction. It might be unfair to suggest that some large part of this about-to-be-destroyed cotton, in view of the heat and drought which has assailed the state, might possibly be about-to-be-abandoned acreage. Stranger things have happened. Texas farmers are not slow in the uptake.

Colquitt County, Georgia, is known far and wide for its plan for the self-sufficient farmer. We quote from a letter, written by one of the original sponsors of the plan, under date of July 17, addressed to the writer of this article.

"The campaign for cotton acreage has come to a close in Colquitt County, with about 10,000 acres signed up to be destroyed. Generally speaking, the destruction of any crop would seem to be sheer lunacy. However with 13 million bales surplus on hand at present our farmers felt justified in taking this step. . . . In 1913, our farmers planted 100,000 acres of cotton in Colquitt County and produced 6,000 bales. For the past several years, our farmers have been planting between 30,000 and 40,000 acres annually and producing from 15,000 to 24,000 bales a year."

Now, what is to be expected from farmers who have learned how to build up production from 30 pounds of cotton to the acre, far below the average, to 300 pounds to the acre, far above the average? The general average is just about one-third of a bale, 166 pounds, to the acre.

If improved methods multiplied the old shiftless one-crop output by ten, then, simplest deduction leads to the anticipation that Colquitt County planters, and the whole South for that matter, are going to hoe a little more, plow a little more, kill more weeds, all to go a long, long way toward making up for the cotton they plow under. To think otherwise would insult the intelligence of all agriculture. The farmer's faith must rest in the hoped-for abundance at harvest time. If there is to be a scarcity demand for cotton his instinct will induce added care for his growing crop remainder.

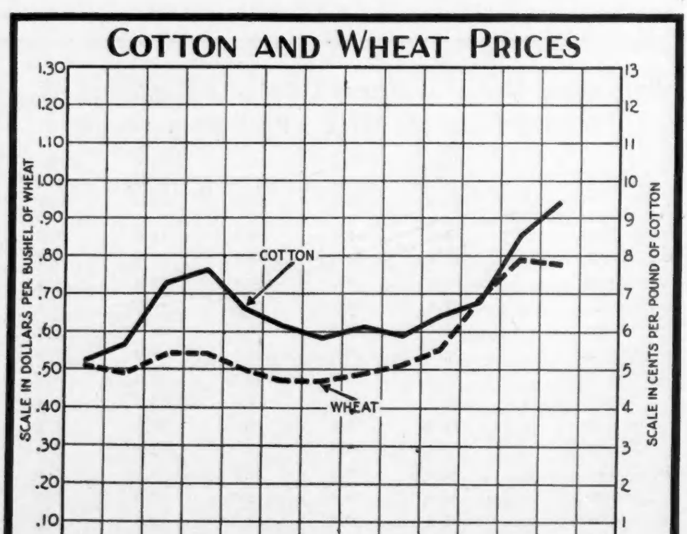
Nature is also having a great deal to do with our corn crop, upon which we must all depend for our beef and bacon. In 1932, the crop was 2,920,690,000 bushels; the Department forecast, as of July 1, was for a crop of 2,384,000,000 bushels; the continuance of intense heat and drought and chinch bug ravages has given the trade ground to expect a radical reduction from this figure.

While corn shared in the general advance in grain prices, the market for hogs eased off; inasmuch as corn goes to market in the form of fat hogs and fat cattle, Middle-Western farmers figure the real market for corn in terms of livestock on the hoof. Normally the price of a hundred pounds of pork, on the hoof should be about ten times the price of a bushel of corn in the crib. With corn at 65 cents and hogs $4.50 a hundred in Chicago, a ratio of seven to one, feeders go a little slower. The corn-hog ratio is expressed by the number of bushels of corn which can be purchased with the money received for a 100 pounds of live pork.

While prices have been shooting upward thus, partly on crop prospects and partly on anticipated inflation, the Administration has been at pains to announce its insistence upon the fulfillment of its program.

Among the things apparently ignored are the availability of substitutes and the effect of our restriction in world-market items upon any production of the same items abroad. With all due deference one may suggest that there is nothing in the record to justify the sanguine expressions of those who are working to carry through the so called "Agricultural Adjustment plans." Without elaboration of example, one may recall the Federal Farm Board, whose terrible mess is partly on our hands even yet; its promises and claims were also sanguine. In copper, rubber, coffee, mightily sponsored restriction plans and efforts wrought demoralization only. With these examples in mind of the manner in which producers have always responded to the stimulus of an assured higher price, one should not have to do any great amount of crystal gazing to visualize our agriculturists doing enough intensive farming to offset their government leased acreage.

As to the attitude abroad, the hoped for agreement as to wheat sought to be arranged among the exporting nations; it went to the same resting place as did the World Economic Conference in London. The while we curtail cotton and wheat production, and ten or twelve million hungry men and women need new underclothing and hosiery, Egypt is planning to spend $150,000,000 and some years of work to overcome evaporation of the waters of the Nile—all to double the arable lands of the Nile Valley. A great channel is to be cut to carry the waters of the Upper Nile around the swamps of the Sudan, where, spread out over great area under tropical sun the evaporation is tremendous. The Nile Valley grows the world's finest long staple cotton.



Coming back to the more immediate concern of our own markets, we may better appreciate the meaning of recent price advances by scanning 1932 costs, as estimated by the Department of Agriculture. Last year's corn cost 49 cents a bushel (including land rent); wheat, 75 cents; oats, 36 cents; cotton 9 cents per pound. These costs, when compared with the accompanying table of prices reveal something of the pressure from which agriculture is endeavoring to escape.

(*Please turn to page* 402)

Appraising the Outlook for Municipal Bonds

Local Finance Slow to Reflect Deflationary Trend — Steps Now Being Taken Augur Well for More Solid Foundation in Future

By M. David Gould

Municipal bonds were regarded in the past by many investors as being all good and all alike. The experiences of the depression have shown that sound financial management is as essential in this field as in any other. On the whole the record of the municipals has been better than that of most bonds but certain weaknesses have been disclosed: overinvestment and overborrowing, poor tax collection systems, inadequate accounting, and borrowing to pay off past deficits. Steps now being taken or proposed by municipal and state authorities will do much to put municipal financing on a sounder basis for the future, and the upturn in business which began some months ago will strengthen the immediate outlook for municipal bonds.

ONLY a few years ago, the attitude of the average investor toward municipal bonds was one of unmixed and even undiscriminating respect; the current conception was that they constituted a first lien, even ahead of any first mortgages, on the entire wealth and income of the community, and that they would necessarily ride serenely through the worst financial storms. In the course of the crisis, all securities were given a thorough shaking, and even in the municipal field, the weak spots began to show up, in the shape of defaults, moratoriums, and proposals to refund or reduce the burden of fixed charges. Until recently, a spirit of disillusionment prevailed, and municipalities not only found it increasingly difficult to borrow but their existing securities were subjected to shrinkage. With the better feeling which has been evident in the securities markets for the past four months, municipals have also benefited. Yet the market has become more discriminating in that wider spreads in yield are observable than during the prosperity period when a municipal was a municipal, nothing more, and as such commanded about the same yield as any other municipal.

What is the outlook for this group now that we have entered a period of higher prices and broader business activity? Are their difficulties about over? Have they been sufficiently liquidated as a group?

A bird's-eye survey of the present situation reveals that, while by no means an infallible investment, municipals as a whole have stood up under the shocks of the crisis far better than most other types, particularly considering the wide differences of local situations and the rapid increase in funded debt in recent years. As of a recent date, it is calculated that about 1,120 municipalities were in default in one respect or another, or about 1% of the total number. This is impressive, in view of the fact that the total outstanding debt at the beginning of the year was some 16 billion dollars; of this 2 billions were state debt, 7 billions were the debt of cities and towns of 30,000 population or more, and 7 billions of municipalities of less than 30,000 population and of special taxing districts (school, water, road improvement, etc.). Twelve years ago the total debt of all three classes was only 6 billions. New issues during this period had averaged 1,300 million dollars a year, while redemption and sinking funds had removed only 500 millions annually.

The basic reasons for the rapid increase in debt were, first, the steady movement of population to the cities, concentrating the need for expensive urban improvements and tending to ever-increasing expenditures and indebtedness per capita. This has been going on ever since the founding of the Republic, with far-reaching results. The following figures give an idea of the process:

	Number of Cities with Population over 30,000	Percentage of U. S Population in these Cities
1870	44	13.5%
1900	135	25.1%
1930	310	38.6%

The typical American demand for an increasing standard of living also expressed itself in the demand for better municipal facilities—paving, municipal buildings, hygiene, education, and the like. To take only one example, the growth in attendance of high schools amounted to a doubling every ten years, a much faster rate of increase than the population as a whole, and representing an increasing burden on local finances.

The result of these tendencies has been an enormous increase in municipal expenditures, up to the crash. A

group of 146 cities for which continuous records are available since 1903 showed an increase in expenditure by general departments from 278 millions in 1903 to 498 millions in 1913, 1,155 millions in 1922 and 1,730 millions in 1929. The lowest rate of increase for any major department was that for highways, which rose 331%, the highest was recreation, which was up 730%, while "miscellaneous" rose 1,564%.

The increasing rate of expenditure finally outstripped even the rapidly-growing resources of the United States. From 1880 to 1912, it is estimated, the national wealth increased 4.2 times, the national income 4.4 times, while total Federal, state and local expenditure increased only 3.4 times. Since then, Federal expenditures have been complicated by the direct and indirect results of the war. From 1922 to 1930, significantly, national income is estimated to have increased 50%; the cost of government in 146 cities, however, increased 75%.

The crisis in municipal finance has therefore been a long time in the making. With the culmination of the boom in 1929, additional aggravating factors were added. Real estate development had begun to show that it had passed the saturation point even earlier—local booms in Florida, in the suburbs of Detroit and Cleveland, in North Carolina, became danger points, in that hundreds of millions were invested by private enterprise, mushroom municipalities grew up with a clamorous demand for municipal facilities and consequently for long-term funds with which to finance them. In addition, speculative land companies in some instances were chartering or annexing cities and sending their own officials to act as officers of the municipality. Special assessment districts were being created without regard to ultimate power to pay. In a few cases, bankers were using pressure to induce municipalities to put out bond issues out of proportion to their real economic strength.

Along with all these, during the boom times, went a disregard for sound and honest municipal finance, for good accounting, and a tendency to take full advantage of inadequate debt limitation provisions in state constitutions. In Oregon, for instance, as new needs developed, new debt limitations for specific purposes were simply added on to the old, so that it is estimated the total debt limitation was 78% of assessed values. In the case of Detroit, overlapping country, town and special district areas made it possible so far as the constitution was concerned to incur debt, in the names of different overlapping governmental units, up to 50% of the assessed value of property in the region affected by the real estate boom.

With such situations prevailing at the outbreak of the crisis, the fall in real estate values since 1929 struck the first blow at the structure of municipal finance. Traditionally, general property taxes have been the mainstay of local finance, amounting to some 64% of the revenues of the cities with population over 30,000 and probably still more in the smaller towns. Tax delinquencies began to accumulate, ranging from 25% to as high as 75% of budgeted taxes, and in certain special assessment districts even more; they were aggravated by poor tax laws, incompetent municipal management, in some cases organized tax strikes, in a few by the dependence of the municipality on a single industry. The average, which had been 10.5% delinquency in 1929, rose 50% in the next two years.

Douglas Photo, from Nesmith

New York Skyline

The banks became alarmed, and often either would not or could not advance short-term credit even for the ordinary needs of the municipality, as by anticipating normal tax collections. Often the town itself would have its money in a bank which had closed its doors. The beginning wave of defaults hurt the credit of municipals generally, and made it increasingly difficult to sell new issues. On top of this came the resistance of taxpayers, expressed in certain states by pressure toward legislation intended to encourage the postponement of tax payments, to put limits on the rate of taxes to propery values, and to liberalize the assessment of penalties for tax delinquencies. The municipalities found it difficult or impossible to refund maturing debts. At the same time, the burden of unemployment relief being thrown on local administrations through the absence of legislation on this subject by higher authorities, weighed down the local authorities by adding to expenditures precisely when the deflation of real estate, commodity prices and buying power was diminishing revenues.

The immediate results were deficits and the accumulation of short-term debts representing short-term borrowing to the extent possible, and delayed payment of municipal expenditures. As borrowing became more and more difficult, where the pressure was greatest, salaries were delayed, unemployment relief was hampered, and finally sinking fund and interest payments on funded debt were defaulted.

In many cases refunding operations were resorted to, particularly for the purposes of meeting maturing principal, and reducing the burden of debt service charges (estimated at $8.54 per capita in cities of over 30,000 population, where total expenditures were $80.33 per capita). An outstanding case of forced conversion and refunding was that undertaken by Arkansas, in which 146 millions of bonds, including those of road districts, were refunded into 25-year 3% bonds, whose sole provision for redemption was a fund of $500,000 a year, or in other words, 12½ millions up to the maturity of the bonds. Such action tended to weaken the credit standing of municipals in general. It also pointed out the difference between state and municipal bonds, in that a state in general cannot be sued without its consent, while there are definite legal remedies in the case of municipal defaults. These include the obtaining of a judgment, and a writ of mandamus which compels the local officials to levy such taxes as will provide the necessary funds to meet the obligations of the funded debt. On the other hand, there is no remedy, in the form of actual foreclosure

(Please turn to page 400)

Mid-Year Dividend Forecast

Part 1—Railroads, Public Utilities, Equipments

Two fundamental factors, the industry and the company itself, are used to form our ratings. The letters A, B, C and D are applied in rating the industry; and the numerals 1, 2, 3 and 4 in rating the position of the company in that industry. Thus:

INDUSTRY	COMPANY
A—In a strong and expanding position.	1—Expanding operations; dominant in field; strong financially.
B—In a fairly strong and stable position.	2—Good potential earnings; important company; good financial position.
C—Temporarily depressed but prospects moderately favorable.	3—Earnings still relatively low; fair financially; business volume moderate.
D—Depressed; declining profits; no signs of nearby improvement.	4—Doubtful outlook; weak financial position; unprofitable operations.

The second section of this feature will appear in the succeeding issue. It will cover the position and prospect for leading companies in such major industries as:

Steel, Metals, Petroleum, Merchandising, Automobiles, Accessories, Foods, Chemicals.

THIS mid-year appraisal of dividend prospects, now that business activity is increasing rapidly, curiously is almost as difficult a task as when business was declining rapidly. Then, it was a question of judging the rate of decline in earnings, recognizing the particular company's financial position, and estimating how long one could reasonably expect the dividend to be maintained. Now this situation has been completely reversed. It is a question of estimating the rate of earnings increase, and judging to what extent a company will decide to build up financial resources before paying more to stockholders.

At the present time, however, it is enigmatically true that the business prospect is better than the immediate dividend prospect. This is partly the result of such Government policies as wage-raising, which probably will act to make the increase in profits slower than in the recovery from other depressions. And partly because the business slump has been so severe that much in the way of liquidation of loans and the building up of a firm financial foundation needs to be done before stockholders can expect a return on their investment. While this is not a factor in all industries, nor in all companies of the industries of which it is true, it nevertheless applies generally to such important groups as the railroads, the equipments, and to a large number of individual concerns.

This may possibly disappoint a number of those who need, and were hoping for, an early return on their capital. A comparatively high price may have been paid for the stock of some company which, because of greatly increased business, was thought to be a candidate for dividend resumption or increased payments. Yet, while such a purchaser may be disappointed over dividends for a time, his holding, if intrinsically sound, is almost certain to prove satisfactory over the longer-term.

Moreover, the insurance afforded by sound common stocks against the adverse effects of inflation must not be forgotten at the present time. It is probably because of this insurance feature that the market as a whole seems inclined to discount a favorable prospect rather more liberally than usual. Although such liberal discounting lays the market open to sharp reactions and makes it difficult to discover individual issues which afford a reasonably good return, and are earning it; they can be found, and will appeal to the more conservative.

The following tables have been prepared with the intention of affording readers an easy, up-to-date reference on the principal industries and the more important companies in those industries. More specifically they deal with dividend prospects, but where these are too remote for practical appraisal, an attempt has been made to convey the general degree of merit possessed by the particular issue. All are accompanied by an investment rating which offers simple guidance as to the position and prospect of the industry and as to the company's position in that industry.

Rail Traffic Shows Sharp Gains

But Ravages of Depression Will Take Some Time to Repair

THE first fifty railroads to report for June showed net income two-and-a-half times that of the corresponding previous month and also considerably ahead of June, 1931. Gross for these roads this June was about 14% greater than June, last year, but more than 23% under the gross of June, 1931.

This is virtually a thumbnail sketch of the present railroad situation. The business improvement which got under way in the spring has been reflected in a constantly growing railroad traffic and as the year has grown older, comparison has been made with the steadily declining trend of 1932. Moreover, the fact that net was better while gross was so much under that of June, 1931, forcefully brings out the greater efficiency with which the roads are now being operated. It may be contended perhaps that part of this apparent increase in efficiency is the result of a skimping on maintenance, but even making due allowance for this factor the showing still stands out as very favorable.

From the investor's point of view, however, it is not enough to know that the railroads are now doing better. He must attempt an appraisal as to whether or not the actual betterment and that in prospect has been discounted by the rise in stock prices which has taken place since the spring. Also, what of his receiving a return on his investment?

Prior to the recent sharp setback, representative averages of railroad common stocks were selling between 90% and 110% above their lows of last March. Currently, they can be bought a little cheaper, but are still sufficiently above the lows to make the question as to how much they have discounted a valid one. A glance at the accompanying table will show that the earnings on few issues are expected to swing from nothing, to something out of which disbursements can be made to stockholders. This is to say that this year the majority of railroads will merely succeed in more nearly earning their fixed charges and that the gains in traffic that have taken place so far and reasonably are to be expected for the balance of the year do not hold out the promise of anything substantial for common stockholders.

Moreover, it is not alone necessary for the payment of dividends that the roads show earnings on their common stocks. There must first be some rehabilitation of impaired financial and physical condition. Government and other loans must be paid off—in some cases this is now being done. Any maintenance that *has* been skimped must be made up. Rolling stock and locomotive power must be put in order to handle the increased traffic at the higher standard of efficiency which has been learned as a result of depression.

These facts should not be overlooked by the holder and prospective holder of railroad common stocks lest judgment be swept away in the enthusiasm for increased carloadings. On the other hand, it would be just as big a mistake to assume that because the majority of these issues are not cheap at the present time they will not be worth as much, or even more, than that for which they are now selling in the not very distant future. Railroad stocks possess great leverage. There is first of all the leverage which goes with large funded debts and issues of preferred stocks. Then there is the leverage which is the result of such fixed items as administration expense and real estate taxes.

So far, the upturn in traffic, in the majority of cases, has not reached the common stock. But—and this is the important point—any moderate further increase next year immediately would be translated into sharply higher earnings on such stock. And with earnings on the common it is only a matter of time before the financial and physical

Position of Railroad Common Stocks

Company	Earned —Per Share— 1932	1933*	Price Range —1932— Low	High	Recent Price	Dividend	Yield %	Inv'ment Rating	COMMENT
Atchison, Topeka & Santa Fe	$0.55	$1.50	17 1/8	94	62	..	..	C-2	Ultimate dividend resumption certain, but it will probably be a year before payments are resumed.
Atlantic Coast Line	def.	def.	9 3/4	44	46	..	..	C-3	Large holdings of Louisville & Nashville brighten prospect, for the latter is now doing well.
Baltimore & Ohio	def.	Nil	3 3/4	21 1/4	30	..	..	C-3	Improvement registered and further betterment in prospect, but common dividend resumption is not a near-term possibility.
Bangor & Aroostook	3.23	3.00	9 1/2	35 3/4	35	2.00	5.7	C-2	Present conservative rate may be considered well assured.
Boston & Maine	Nil	Nil	4	19 3/4	25	..	..	C-4	Claims of the common are junior to large preferred issues.
Canadian Pacific	Nil	0.10	7 1/4	20 5/8	16	..	..	C-2	Should do much better this year, but payments on the common are not likely in the very near future.
Central R. R. of N. J.	def.	0.10	25	101	92	..	..	C-2	Asset value is very large, but earnings will have to improve further before any payment on the common can be expected.
Chesapeake Corp.	3.41	3.50	4 7/8	20 3/4	43	2.00	4.6	C-2	Bank loans reduced by sale of C. & O. common. As financial position improves higher dividend would be warranted.

rehabilitation, of which we have already spoken, *is completed* and such earnings become really available for the payment of dividends.

It is quite clear that most of the rails at current prices are not yet discounting this last phase—the payment of normal dividends. Inasmuch, however, as their prospect of paying dividends is not one of the near-term future, it is likely that these issues will be subject to considerable fluctuation in market price as the public's optimism rises and falls.

Should one decide that the railroad field offers satisfactory opportunities at the present time for the employment of investment and speculative funds, the selection of individual issues should be made with some care. First and foremost, of course, consideration must be given to the freight increase which actually has taken place and that in prospect. After this, however, it is suggested that preference be given to those roads which have emerged from the depression in at least fair financial condition, for these roads will have fewer loans to liquidate and less skimped maintenance to make up. Finally, some weight may be given to past record because, if we are about to enter a period of prosperity, it is extremely unlikely to neglect, except in a very minor way and for a short time, territory which was prolific of traffic in previous good times.

Confining the greater part of this discussion to consideration of the rise in traffic and the price rise which has taken place in stock prices has been done deliberately. A great deal of space could be taken up with an appraisal of co-ordinators, consolidation plans, wage revisions and truck competition. And these things are all important to the railroad investor. They are, however, very much less important than the increase in traffic which has already taken place and the further increase which is in prospect. Should the present outlook for a greater volume of freight be substantiated, a railroad co-ordinator would be more or less superfluous, wage revisions would be upward only and in amount far from offsetting the benefits of the increased traffic, truck competition would assume a normal and minor aspect, while plans for consolidation, instead of being considered the last resort in the avoidance of bankruptcy, would be interpreted as constructive but taking a minor role in relation to the freight movement of the roads concerned. In a word, the railroads of the country have no problems which a greater movement of freight cannot solve and nothing constructive can happen in regard to them which would not be far overshadowed by an increase in traffic.

Position of Railroad Common Stocks (*Continued*)

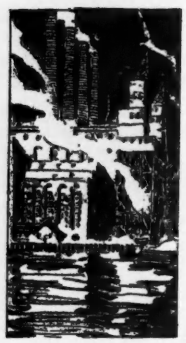
Company	Earned —Per Share— 1932	1933*	Price Range —1932— Low	High	Recent Price	Dividend	Yield %	Inv'ment Rating	COMMENT
Chesapeake & Ohio	3.05	3.50	9¾	31½	43	2.50	5.8	C-2	Dividend well covered by earnings.
Chicago & Eastern Illinois	def.	def.	½	3¾	5	..	..	C-4	Reorganization under new Federal Bankruptcy Law proposed. Common appears to be of little value.
Chic., Milwaukee, St. Paul & Pacific	def.	def.	¾	4½	10	..	..	C-4	Some improvement registered, but common is very junior equity.
Chicago & Northwestern	def.	def.	2	14½	12	..	..	C-3	Highly speculative.
Chicago, Rock Island & Pacific	def.	def.	1½	16⅜	7	..	..	C-4	Reorganization proposed, but recent traffic improvement has been considerable.
Delaware & Hudson	def.	def.	32	92½	74	..	..	C-2	Holding company's profits in outside investments are a heartening feature
Delaware, Lackawanna & Western	def.	def.	8½	45⅞	32	..	..	C-2	Doing better, but dividend resumotion is not a near-term possibility.
Erie	def.	Nil	2	11¾	24	..	..	C-3	Should just about cover charges this year, but common is junior to large preferred issues.
Great Northern (pfd.)	def.	def.	5½	25	28	..	..	C-3	Considerable improvement shown.
Illinois Central	def.	Nil	4¾	24⅞	44	..	..	C-3	Was more than ordinarily hard hit, but has recently entered the "black."
Kansas City Southern	def.	def.	2¼	15¼	19	..	..	C-3	Recently passed preferred dividend.
Lehigh Valley	def.	def.	5	29¼	20	..	..	C-3	Important increase in coal traffic expected soon.
Louisville & Nashville	def.	3.00	7½	38¼	56	..	..	C-2	Dividend prospects promising.
Missouri-Kansas-Texas	Nil	Nil	1¼	13	13	..	..	C-3	Common junior to large preferred issue on which dividends are accumulating.
Missouri Pacific	def.	def.	1½	11	7	..	..	C-4	Bankruotcy suit brought. Recent rise in common statistically unwarranted.
New York Central	def.	.10	8¾	36⅝	44	..	..	C-3	Doing better, but common dividends will have to await at least some liquidation of large loans.
N. Y., Chicago & St. Louis	def.	Nil	1½	9¾	24	..	..	C-4	Dividends accumulating on the preferred.
New York, New Haven & Hartford	def.	Nil	6	31⅝	26	..	..	C-3	Further improvement needed to warrant common payments.
N. Y., Ontario & Western	1.34	1.40	3⅝	15¾	11	..	..	C-3	Has done well in depression, but common dividend prospects are not particularly bright.
Norfolk & Western	11.29	12.00	57	135	160	8.00	5.0	C-2	Present rate seems well assured.
Northern Pacific	def.	.10	5½	25⅝	25	..	..	C-3	No financial worries, but common payments depend upon traffic uoturn.
Pennsylvania	1.03	1.50	6½	23⅜	36	.50	6.4	C-2	Repaying R. F. C. loans. Moderate dividend certain.
Pere Marquette	def.	Nil	1¾	18	30	..	..	C-3	Aided by increase in automobile and miscellaneous manufacturing.
Pittsburgh & West Virginia	def.	.10	6	21½	25	..	..	C-3	Should shortly do much better.
Reading	1.02	3.00	9½	52¼	48	1.00	2.2	C-2	Heavily capitalized, though present dividend appears well assured.
St. Louis-San Francisco	def.	def.	⅝	6⅝	6	..	..	C-4	Receivers appointed. Stock appears to have little real value.
St. Louis-Southwestern	def.	def.	3	13⅞	16	..	..	C-4	Doing better and further improvement anticipated.
Southern Pacific	def.	def.	6½	37⅝	28	..	..	C-3	Prospects of dividend resumption not over remote.
Southern Railway	def.	def.	2½	18½	28	..	..	C-3	Improvement registered.
Texas & Pacific	Nil	Nil	13	35	42	..	..	C-3	Longer term outlook reasonably good.
Union Pacific	7.49	9.00	27⅝	94½	113	6.00	5.3	C-2	Has experienced great appreciation in outside investments. Present dividend seems well assured.
Western Maryland	Nil	Nil	1½	11⅜	12	..	..	C-4	Possibilities for common lie more in consolidation than in any hope of common dividends.
Western Pacific	def.	def.	½	4¾	7	..	..	C-4	Recent rise appears statistically unwarranted.

* Estimated.

Electric Utility Output Headed Sharply Upward

Maintenance of Present Trend Offsets Fear of Higher Taxes and Lower Rates

WHILE at one time there was a tendency for electric power output to lag behind business gains in other lines, latest reports show that a rapid recovery is being made with output running between 12% and 27% ahead of last year for the different regions of the country. Although this is extremely heartening to the holder of public utility securities, it must not be forgotten that despite the great gains in output, gross revenues for the majority of the large systems are still running slightly behind last year. This is because the gain has been mainly in demand for low-priced wholesale power, the gross revenues from which have been more than offset by the generally lower rates now in effect.



Moreover, the agitation for still lower rates persists. Also, the local taxes paid by utilities mount steadily and the Federal Government has ruled that the 3% power tax, previously paid by the customer, must be paid by the company after September 1. These are all factors which have contributed to the sluggishness of the better public utility companies in the recent stock market advance. The ordinary public utility stock average does not bring this out with sufficient clearness because such an average is distorted by the inclusion of the more speculative issues which invariably show, regardless of fundamental conditions, large percentage gains in such a market as we have had.

In considering the outlook for dividends in the electric public utilities, the question, broadly speaking, resolves itself into whether the gains in gross to be expected from this point can be carried to net as fast as the net is being whittled away in other directions. In view of the fact that there is every reason to believe that we are now in a major cycle of general business improvement which hardly as yet has got under way, it is probable that the constructive influence will be the stronger as long as we are in the accelerating period of betterment. Should the adverse influences continue unabated until such time as general business commences to "level out" it well may be that they will obtain the upper hand.

So far as one can judge now, therefore, the prospect is that the majority of electric public utility dividends currently being paid will be maintained. There will probably be a few exceptions to this, but any reductions which *do* take place should be very modest. On the other hand, it should be frankly recognized that the public in its present frame of mind is not likely to countenance very much in the way of dividend increases. But this ought not to prevent the better companies which have deferred dividend disbursement for some such reason as the avoidance of possible financial embarrassment from re-establishing payments.

It may be noted in appraising the prospects of individual companies that there is now no longer the necessity of making so sharp a distinction between operating and holding companies. Nor is there now the liklihood of a sound company in either class being driven to receivership because of inability to meet maturing obligations. This does not mean, of course, that capitalization, financial position and maturing obligations are not still factors of importance, but only that general conditions have altered to admit of slightly less rigid standars in this regard.

Turning to communications, it is interesting to note the difference in effect of the business upturn on the telephone and on the telegraph divisions. The principal system continued to lose telephones right up to the end of June, albeit this year made a steadily less unfavorable comparison

Position of Public Utility Common Stocks

Company	Earned —Per Share— 1932	1933	Price Range —1932— Low	High	Recent Price	Dividend	Yield %	Inv'ment Rating	COMMENT
American Power & Light	Nil	Nil(1)	8	17¼	14	..	..	C-3	High leverage issue. Earnings will pick up sharply with any further gains in power production.
■ American Tel. & Tel.	5.96	2.30(2)	69¾	137⅝	125	9.00	7.2	B-2	Reinstatement of phones is disappointing. In view of consolidated earnings, present dividend can be considered only moderately secure.
★ American Water Works & El.	1.44	1.07(7)	11	34½	30	1.00	3.3	C-3	Electric output up sharply. Present dividend appears reasonably assured.
American & Foreign Power	NF	NF	2	15	12	..	..	C-3	Possesses merit only as a long-term out-and-out speculation, though acute foreign exchange transfer problem somewhat relieved.
★ American Gas & Electric	2.31	1.83(7)	14½	41⅞	35	1 & 4%	6.9	C-2	Present dividend probably will be maintained.
Associated Gas & Electric	Nil	NF	⅝	5⅛	2	..	..	C-4	Outlook obscure. Controversy over readjustment of capitalization.
★ Brooklyn Union Gas	6.79	3.37(2)	46	89½	82	5.00	6.1	B-2	Dividend safe under present conditions, but agitation for lower rates must not be forgotten.
Cities Service	Nil	NF	1¼	6⅞	4	..	..	C-3	Thoroughly speculative.

with 1932. The loss of phones, of course, was reflected in lower earnings despite all attempts for economy and greater efficiency.

On the other hand, the telegraph has gone ahead by leaps and bounds. Gross is running moderately ahead of last year, but still well below 1931 and 1930. It is in net income, however, that the telegraph shows up to the best advantage. Owing to the greater efficiency with which the business is now being operated, the profit which is being derived from a comparatively small gross is quite extraordinary. The principal company in this field, Western Union, clearly appears to be among the candidates for early dividend resumption.

The outlook for foreign communication business is somewhat better. The depreciation of the dollar in relation to foreign currencies has made rates quoted in dollars appear more reasonable to the foreigner and has made it easier to transfer foreign currencies to this country. Also, it might be noted that the gains in general business have not been confined to this country, but that there has been considerable improvement throughout the world. This, of course, makes for a better volume of communications. The principal representative in this field, however, has been so severely affected over the past few years that it will be some little time before the ravages of depression are repaired.

Finally, some mention needs to be made of the tractions. This field still remains the most unsatisfactory of all from the investor's point of view. Indeed, most systems are bankrupt, or at least exceedingly close to this unfortunate condition. While the improvement in business which has taken place undoubtedly has been of some aid to the tractions, the majority of them are so deep in the mire that such aid will hardly be enough to affect materially for the better the holders of their securities. One can discover a few exceptions, but they are few and far between.

Although it may seem, taken as a whole, that the dividend outlook for the utilities is not over brilliant, it must be remembered that there are more companies in this field still paying 1929 rates, or near 1929 rates, than in any other and that a spectacular recovery always attracts more attention than the steady maintenance of a high position. If an investor in the utilities cannot reasonably expect to double his money in a week, he can at least be assured that the field still offers him opportunities for a stable and satisfactory return.

Position of Public Utility Common Stocks (*Continued*)

Company	Earned Per Share 1932	Earned Per Share 1933	Price Range 1932 Low	Price Range 1932 High	Recent Price	Dividend	Yield %	Inv'ment Rating	COMMENT
★ Columbia Gas & Electric	0.96	0.86(5)	4¼	21	21	.80a	3.8	C-3	Will probably continue dividend in present form for a time.
★ Commonwealth Edison	6.24	5.19(5)	49½	122	66	4.00	6.1	B-2	Recent business improvement seems to assure maintenance of current rate.
● Commonwealth & Southern	0.12	....(7)	1⅝	5⅛	4	..	..	C-3	Much improvement registered, though Government operation of Muscle Shoals might have adverse effect.
★ Con. Gas, El. Lt. & Pr. of Balt.	4.29	1.70(6)	37¼	69¾	65	3.60	5.5	B-2	Strong, well-managed company, whose dividend is unlikely to be altered.
★ Consolidated Gas of New York	4.07	3.68(7)	31½	68¾	54	3.40	6.3	B-2	Dividend fairly safe, but if there *is* a reduction it will be small only.
★ Detroit Edison	5.21	4.38(7)	54	122	83	4.00	4.8	B-2	Much improvement recently registered, strengthening current dividend.
★ Electric Bond & Share	0.99	0.48(7)	5	48	27	6% Stk	6%	C-3	No reason to expect change either in rate or form of present payment.
Electric Power & Light	Nil(10)	Nil(1)	2¾	16	10	..	..	C-3	High leverage issue with some speculative attraction.
Federal Water Service "A"	Nil	NF	2¼	10⅜	4	..	..	C-4	Must register further improvement before common stockholders can reasonably expect to receive anything.
● Internat'l Hydro-Electric "A"	2.72	1.98(5)	2⅝	11⅝	11	..	..	C-3	Business in company's territory much better. Has speculative merit.
International Tel. & Tel.	def.	def.(9)	2⅝	15¾	15	..	..	C-3	As a radical long-term speculation is not unattractive.
★ Louisville Gas & Electric "A"	1.92	NF	8½	23⅜	21	1.75	8.3	C-2	Stable issue, affording a satisfactory return.
★ National Power & Light	1.31(10)	1.16(1)	6⅝	20⅜	16	1.00	6.3	C-2	Has made a good showing. Present dividend well assured.
● Niagara-Hudson Power	1.07	0.88(5)	7⅞	20	11	..	..	C-2	Industrial load up sharply. A likely dividend payer with further improvement.
★ North American	1.94	1.57(5)	13¾	43¼	27	8% Stk	8%	C-2	No reason to expect change in rate or form of current dividend.
★ Pacific Gas & Electric	2.09	NF	16⅞	37	27	2.00	7.4	B-2	Present dividend reasonably well assured.
■ Pacific Lighting	3.03	2.94(7)	20¾	47½	32	3.00	9.4	B-2	Current earnings are still somewhat below dividend requirements.
★ Peoples Gas, Light & Coke	6.20	4.28(7)	39	121	60	4.00	6.7	B-2	Substantial rate reduction effective July 1. Present dividend, however, appears fairly safe.
★ Public Service of N. J.	3.35	NF	28	60	47	2.80	6.0	B-2	Dividend likely to remain unaltered for some little time
■ Southern California Edison	2.06	1.49(7)	15¾	32¾	23	2.00	8.7	B-2	While reduction quite likely, recent business improvement makes it less probable.
Standard Gas & Electric	0.59	Nil(5)	7⅝	34¼	15	..	..	C-3	Reinstatement of dividends on the common somewhat remote.
■ United Corp.	0.44	0.09(9)	3½	14	10	.40	4.0	C-2	Receipts smaller than dividend disbursements. Small reduction possible.
United Gas	Nil	Nil(5)	⅝	4¾	5	..	..	C-4	Dividend remote. Large loans to be liquidated.
★ United Gas Improvement	1.36	1.31(5)	9¼	22	21	1.20	5.7	B-2	No reason to anticipate any alteration in current dividend.
United Light & Power "A"	0.16	Nil(4)	1¾	9¼	6	..	..	C-3	Probably will be some little time before earnings warrant common payments.
Utilities Power & Light "A"	Nil	NF	1½	10⅜	5	..	..	C-3	Foreign earnings now more easily transferred.
● Western Union	def.	3.30(2E)	12⅜	50	63	..	..	B-1	Has registered great improvement. Reinstatement of moderate common dividends likely in the reasonably near future.

★ Paying and earning dividend. ■ Paying, but *not* earning dividend. ● Not paying, but earning something. (1) 12 months to Feb. 28. (2) 6 months. (4) 12 months to April 30. (5) 12 months to March 31. (6) 5 months. (7) 12 months to June 30. (8) 11 months to May 31. (9) 3 months. (10) 10 months to Nov. 30. NF Not available. (E) Estimated. (a) In preferred.

Equipments Face Much Improved Prospects

Have Not Yet Reflected Full Share of Business Progress

BECAUSE of the very nature of the business, prosperity for the equipments lags somewhat behind that of other lines. This is logical, for producers must be producing before they reasonably can be expected to order further supplies of producers' goods. Following a major business depression such as we have experienced, the initial spurt towards better things is carried out, for the most part, with old and often unsatisfactory and inefficient equipment. It is only when the upturn has been under way some little time that manufacturers are willing and able to install improved machinery. This applies in general to all the equipments and affords the explanation for rather a curious circumstance—that equipment earnings are little, if any, better than they were, while their securities have participated to the full in the recent market rise.

When the installation of new equipment finally does begin in earnest it will proceed apace. During the years of depression equipment obsolescence has been on a tremendous scale. There have been new developments of a revolutionary character in almost every line of manufacturing. Also, over the past few years machinery in general has been neglected. It was ever a "feast or famine" business.

Equipment dividends, however, can hardly be discussed without some separate consideration of the industry's many different divisions. The electrical division was rather harder hit during the years of depression than one might perhaps have thought. The great expansion of public utility capacity in the boom years commenced to waver when the output of electrical energy failed to make its usual gains and came to an abrupt halt when it eventually turned downwards. At the present time, while electric output is again on the uptrend, the public utilities have plenty of capacity to take care of an even greater demand. Heavy utility installations probably will lag.

On the other hand, electrical equipments have experienced quite an upturn in miscellaneous demand. For example, the number of families owning electrical refrigerators continues to expand. There also has been a better replacement demand for general household equipment. It will not be, however, until residential construction mends that any great degree of prosperity is likely to be experienced. Current dividends are probably fairly safe, principally because of the strong financial position enjoyed by the companies in the electrical equipment field, but nothing very much in the way of dividend reinstatements or increases can be expected over the near-future.

The outlook for railroad equipments is quite favorable. Owing to the great hardships suffered by the railroads in general, they have cut their expenditures on both new equipment and repairs to the smallest possible proportions. Now that traffic is so sharply on the uptrend they will soon have to begin making up their skimped spending on rolling stock—even if they have to borrow the money to do so. In view of the outlook, it is probable that those equipment companies

Position of Leading Equipment Stocks

Electrical

Company	Earned Per Share 1932	Earned Per Share 1933	Price Range 1932 Low	Price Range 1932 High	Recent Price	Dividend	Yield %	Inv'ment Rating	COMMENT
■ Electric Storage Battery	1.39	NF	12⅝	33¼	43	2.00	4.7	C-2	Diversifying and currently helped by automobile activity. Dividend appears reasonably assured.
■ General Electric	0.41	6 mos. 0.16	8½	26⅛	25	0.40	1.6	B-2	Some improvement registered and safety of conservative dividend strengthened by strong financial position.
Westinghouse Electric & Mfg.	def.	6 mos. def.	15⅝	43½	45	..	..	B-3	Strong financially, though probably will be some little time before earnings warrant dividends.

Railroad

Company	Earned Per Share 1932	Earned Per Share 1933	Price Range 1932 Low	Price Range 1932 High	Recent Price	Dividend	Yield %	Inv'ment Rating	COMMENT
■ Amer. Brake Shoe & Foundry	Nil	6 mos. Nil	6½	17⅞	33	0.60	1.8	C-3	Real improvement in business expected shortly, which strengthens prospect of dividend maintenance.
Amer. Car & Foundry	def.(a)	def.(b)	3⅛	17	28	..	..	C-3	Should do better this Fall.
American Locomotive	def.	NF	3⅝	15¼	27	..	..	C-3	Current prices discount considerable betterment. Good financial position.
American Steel Foundries	def.	3 mos. def.	3	15⅛	20	..	..	C-3	Increase in railroad traffic foreshadows bigger business for company.
Baldwin Locomotive	def.	def.(b)	2	12	13	..	..	C-3	Bookings better and possible financial embarrassment averted, but probably will be some little time before company's position warrants dividend payments.

now paying unearned dividends will feel more disposed to maintain them. Such disbursements, however, cannot be considered wholly safe until covered by actual earnings. Dividend reinstatements among other companies in the list may be somewhat long delayed owing to the desirability of bettering impaired financial positions.

There are already signs of an upturn in business equipments. Various government agencies have been large buyers in this field. Also, the activity on the stock exchange has been of some assistance. Finally, the new laws, regulations and taxes have contributed to the increased demand not be forgotten that this year we have short crops in certain important agricultural products and that it is also the Administration's determination to take land out of cultivation. While these last factors have tended to raise prices and increase farmer purchasing power on the one hand, on the other, they are not without adverse reaction on the farm equipments. It is probably as much as one would care to say at the present time that recent changes in the farm picture have made the immense receivables of the large equipment companies much better "paper," but that losses again on this year's operations can hardly be avoided.

The machinery division is situated somewhat similarly to the railroad division. This is to say that there is a large pent up demand for new equipment and repairs to old which will be released shortly as the increase in general business activity makes further progress. But in addition to this, the machinery division enjoys the exceedingly hopeful prospects that the Government's public works program will create a further large demand for its products. Yet, like the railroad equipments, despite the good outlook for this field, it must be frankly admitted that nothing very favorable of a tangible nature has occurred so far. The majority of the companies are still in the red and will not be until operations actually are well in the black again that dividend prospects really will become brighter.

Position of Leading Equipment Stocks (*Continued*)

Railroad (*Continued*)

Company	Earned —Per Share— 1932	1933	Price Range —1932— Low	High	Recent Price	Dividend	Yield %	Inv'ment Rating	COMMENT
★ General American Transportation...	2.19	3 mos. 0.50	9½	35¾	36	1.00	2.8	C-2	Recent business better. Divd. appears well assured
★ General Railway Signal............	1.55	6 mos. 0.50	6⅛	28⅝	37	1.00	2.7	C-2	With the improvement that is expected, dividend should be safe.
New York Air Brake...............	def.	3 mos. def.	4¼	14½	17	..	..	C-3	Earnings and dividends depend upon further increase in railroad traffic.
■ Pullman........................	def.	3 mos. def.	10½	28	47	3.00	6.4	C-2	Strong financially, but maintenance of disbursements depends upon uuturn in earnings.
■ Union Tank Car..................	0.84	NF	11¾	19¼	17	1.20	7.1	C-2	Old-established company. Dividend seems fairly safe
■ Westinghouse Air Brake...........	0.45	6 mos. def.	9¼	18⅛	26	1.00	3.8	C-2	Excellent record. Should do better in near future.

Business

Company	Earned —Per Share— 1932	1933	Price Range —1932— Low	High	Recent Price	Dividend	Yield %	Inv'ment Rating	COMMENT
NF Burroughs Adding Machine.......	0.13	NF	6¼	13¼	15	0.40	2.7	C-2	Has high hopes for new products. Dividend likely to be maintained.
★ International Business Machines....	9.11	6 mos. 4.12	52½	117	140	6.00	4.3	B-2	Remarkable depression record. Funded debt to b° eliminated.
National Cash Register "A"........	def.	3 mos. def.	6¼	18¾	18	..	..	C-3	Progress registered, though payments on the common are not a near-term prospect.
Remington Rand..................	def.(c)	NF	1	7½	8	..	..	C-3	Hopes to close this year without a net loss.
★ Underwood-Elliot-Fisher...........	def.	3 mos. 0.13	7¾	24⅜	27	0.50	1.9	C-2	Dividend safe if current improvement is maintained.

Agricultural

Company	Earned —Per Share— 1932	1933	Price Range —1932— Low	High	Recent Price	Dividend	Yield %	Inv'ment Rating	COMMENT
J. I. Case........................	def.	NF	16¾	65¾	73	..	..	C-3	Higher crop prices should make for better collections.
Deere & Co.......................	def.(d)	NF	3½	18⅝	32	..	..	C-3	Prospects much improved, but company will hardly pay anything on the common for some little time.
■ International Harvester............	def.	NF	10⅜	34⅛	35	0.60	1.7	C-3	Considerable period of better business needed to repair ravages of depression. Dividend safe only if improvement is registered.

Machinery, Etc.

Company	Earned —Per Share— 1932	1933	Price Range —1932— Low	High	Recent Price	Dividend	Yield %	Inv'ment Rating	COMMENT
Allis-Chalmers....................	def.	6 mos. def.	4	15⅜	18	..	..	C-2	Outlook better, tho not a near-term dividend prospect.
★ Amer. Machine & Foundry.........	1.12	NF	7½	22¼	16	0.80	5.0	C-2	Keeping well abreast of the times. Dividend seems safe enough.
Caterpillar Tractor................	def.	6 mos. def.	4⅜	15	21	..	..	C-3	Expected to benefit substantially from public works and is not an unattractive speculation on this basis.
Chicago Pneumatic Tool............	def.	NF	1	6¾	10	..	..	C-3	Must be classed as thoroughly speculative.
Fairbanks, Morse.................	def.	NF	2¼	6⅛	7	..	..	C-3	Future prospects somewhat brighter.
Foster-Wheeler....................	def.	NF	3	15⅞	15	..	..	C-3	Possesses considerable speculative attraction, but near-term disbursements unlikely.
■ Ingersoll-Rand....................	def.	NF	14¾	44⅞	58	1.50	2.6	C-2	Formidably strong financially. Expected to be great beneficiary of Government's projected public works.
National Supply..................	def.	3 mos. def.	3½	13	26	..	..	C-2	Has benefited from the necessity of pumping East Texas wells, but curtailment of drilling is adverse.
Worthington Pump & Machy........	def.	NF	5	24	13	..	..	C-3	Erratic marketwise, but is not without speculative attraction.

★ Paying and earning dividend. ■ Paying, but *not* earning dividend. ● Not paying, but earning something. (a) Year ended April 30, 1932. (b) Year ended April 30, 1933. (c) Year ended March 31, 1933. (d) Year ended Oct. 31, 1932. NF Not available.

Further Gains Expected in Chemicals

Nine Out of Twelve Leading Companies Paying Dividends —Remarkable Position of Industry Should Be Maintained

By HERBERT C. SLATER

ELEVEN of the twelve leading chemical manufacturing companies whose stocks are listed on the New York Stock Exchange were able to show something earned for their common stocks in 1932. And according to the latest reports every one is now showing net income available for its common shares. Nine of the twelve are paying common dividends. When it is considered that last year was the worst twelve-month of a major business depression, this showing is quite remarkable.

Why is it that the chemical industry enjoys such relative earnings stability? Why have the aggregate profits of the industry shown such consistent growth during the past decade? Why is the industry always among the first to recover?

The answer to these questions is to be found in the great diversification of markets for chemical products. The industry has very little to sell direct to consumers, but it supplies thousands of raw materials essential to production in every other major industry in the country. It is the handmaiden of production. No matter what industry or industries prove to be the leaders in recovery—rubber, glass, silk, soap, rayon, paints, varnishes, lacquers, automobiles, furniture, steel, cotton textiles, or even agriculture—the chemical industry profits largely.

Chemistry is not only the handmaiden of industry; it is the wizard—the modern practitioner of the black art. If industry needs a new raw material, the practical scientists of the research laboratory conjure it from their test tubes. Thus the modern plastics, unknown sixty years ago, were evolved from waste products. Now they are produced in several hundred different varieties and go into the making of thousands of articles, such as electrical fittings, billiard balls, door knobs, aircraft and motor accessories, knife and tool handles, fountain pens and what

Not only is the chemical industry a leader in business recovery, few industries rest on so broad a base and face such favorable prospects for sustained prosperity.

not. When a solvent was needed to make a quick-drying lacquer which could be sprayed onto automobile bodies, eliminating the labor of applying and rubbing down numerous coats of the old-style varnish, the research laboratories found it in butyl alcohol. And a finishing process was revolutionized, not only for motor cars, but for furniture, radio cabinets and no end of other things. Such development has given the chemical industry a dynamic quality—endowed it with forward movement as well as growth.

Following its usual course, the chemical industry has quickly responded to the increased industrial activity of the past three or four months. When cotton textiles, glass and rayon turned upward, the alkali division became active. Automobile and steel making activity helped the important ferro-alloy division. Demand for automobiles and for furniture had its effect upon paints, lacquers and varnishes, bringing into action the makers of solvents and of naval stores, such as resin and turpentine. Increased automobile production and a growing replacement demand meant accelerated production of rubber tires, which called into action a specialized group of chemical manufacturers. Acetates and chemical cotton were needed for rayon yarn manufacture, dyes for all sorts of textiles, chlorine and sulphur compounds for paper.

And so the ever-spreading activity reached back to raw material sources, bringing an upturn in acids and the general range of industrial chemicals.

Mention should also be made, of course, of the sharp increase in orders for alcohol from a number of industrial sources—for alcohol is a sort of universal solvent. And the imminent repeal of the 18th Amendment has brought new and interesting forces to bear upon this division.

The leading chemical concerns are so well diversified as to products that no matter what direction recovery takes they are fairly certain to profit. Purchase of their securities, therefore, provides an amount of diversification equivalent to holding a well-selected group of varied industrial stocks. The leaders of the diversified group are Allied Chemical & Dye Corp., E. I. du Pont de Nemours & Co., Union Carbide & Carbon Corp., and Monsanto Chemical Co.

Allied Chemical is not so well diversified as du Pont and Union Carbide. It is, however, the leading domestic producer of heavy industrial chemicals, supplying from 30 to 40% of domestic requirements. This business accounts for more than 50% of its gross revenues. Second in importance are dyestuffs and various coal tar intermediates and other products derived from by-product coke ovens. Chief among the alkalis are soda ash and caustic soda, the first used in the making of glass and soap and in the general chemical trades, and the second important to petroleum refining, rayon, soap, general chemicals, pulp and paper and numerous other products. Allied is also a leading producer of acids and alums widely used in various industries, and through its Barrett division produces "Tarvia" for road building and a variety of roofing materials.

Very strong financially, Allied Chemical has maintained a sizable earning power despite depression. Having no funded debt and only 392,849 shares of preferred stock, diminished earnings still left \$3.60 for the more than 2,400,000 shares of common stock last year. Surplus has been drawn upon to

maintain dividends on the $6 annual basis established in 1927. It is reported that dividends were not earned in the first quarter, but with the subsequent upturn the tonnage shipped in June was the largest for any month since October, 1930, and recovered earning power should not be far off.

Du Pont has diversified extensively in the past dozen years. Whereas explosives once led, with 40% of total sales, the order of importance is now organic chemicals, such as dyestuffs, tetra-ethyl lead for gasoline admixture, and ethyl alcohol; fabrics and finishes; heavy chemicals and acids; cellophane; rayon; commercial explosives; electrochemicals and chemical specialties; plastics; ammonia and ammonia products; and sporting and military explosives.

Union Carbide is perhaps not quite so well diversified as du Pont. Its main income is derived, not from heavy chemicals, but from oxy-acetylene gases and welding and cutting equipment. Second in importance is carbon and carbon products, with electric furnace ferro-alloys used in the making of all sorts of high-grade alloy steels, third, and synthetic organic chemicals and hydrocarbon gases, fourth. The company also makes a number of consumer products, such as Eveready batteries and flash lights, sun lamps and "Prestone," an anti-freeze solution sold in competition with alcohol and glycerine.

Important new products are "Vinylite," non-inflammable plastic resins which are tending to displace celluloid, and a synthetic butyl alcohol. Union Carbide has perfected a process without the use of bacteria, and has entered the field in an extensive way. Eventually it seems likely to get an important share of this growing business.

Both du Pont and Union Carbide are very strong financially. Its ownership of a large block of General Motors stock has given du Pont what might be called "extra-industrial" earning power, so that it was able to show $1.81 for its common in 1932. Last year Union Carbide earned 98 cents per capital share. Carbide's June quarter this year showed 29 cents per share, against 18 cents in the previous quarter. Du Pont earned 68 cents per common share in its June quarter, with only 23 cents in General Motors dividends, as compared with 35 cents in the previous quarter, of which 23 cents also represented dividends on Motors.

Du Pont has only a trifling amount of funded debt and about 1,093,000 shares of debenture stock ahead of approximately 11,000,000 shares of $20-par common, upon which the annual dividend rate is now $2. Carbide's capitalization is extremely simple. Funded debt is about $9,340,000, and there are a little more than 9,000,000 shares of no-par capital stock, receiving $1 a share annually in dividends. Both companies have shown impressive earning power in the past, and will get back to it again.

Monsanto is much smaller than the other three. Heavy chemicals lead in its volume, but its earning power rests rather securely upon fine and medicinal chemicals of which it is the largest maker in the United States. The company is particularly important to the rubber industry, in so-called fine chemicals and pharmaceuticals and is also a large factor in synthetic flavors and condiments, in lacquers and chemicals for lacquers and plastics, in coal tar derivatives, etc.

Monsanto has pursued a wise policy of diversification, plowing profits back into property and acquiring subsidiaries. As a result of this and also because there is a relatively stable demand for fine chemicals irrespective of industrial ups and downs, Monsanto distinguished itself by earning its $1.25 dividend right through the depression. It earned $2.37 per share in 1932, and for the June quarter of this year reported $1.27 a share, against 60 cents for the quarter last year.

Companies in the alcohol division are chiefly attractive now because of the plans they are laying for close affiliation with the whiskey business. With twenty of the required thirty-six states already signed on the dotted line, there is hope of whiskey's return by Christmas. Stocks of aged whiskey in the United States do not exceed 15,000,000 gallons and may actually be closer to 10,000,000. In normal times this would be about two months' supply. But with all consumers ready to stock up on the drop of the hat, it will probably prove to be something less than 30 days' supply.

Even allowing for liberal importations, which would command a higher price normally and which will now probably have to carry some additional protective tariff if the American industry is to be given a fair chance to get started, the supply of whiskey will fall so far short of demand that blending with grain alcohol will be necessary on a large scale. The Commercial Solvents Corp. has the largest present capacity for producing grain alcohol, and is planning to increase the output of its Peoria plant. Recently it acquired the alcohol business of Rossville Alcohol & Chemical Corp., to obtain additional capacity, issuing 105,000 shares of its own stock for the physical properties.

Commercial Solvents is also the largest domestic producer of butyl alcohol, so important in lacquer production. During the recent period of inactive demand it has produced and stored two or three years' requirements at low cost. In the future, competition from the synthetic product manufactured by Union Carbide is likely to be more of a factor in this business, which has grown tremendously in the past thirteen years. Solvent's net has dropped off severely since 1929. Adjusted for stock dividends, per share earnings, which were $1.45 in 1929, fell to 51 cents last year, as compared with current annual dividend rate of 60 cents. Improvement in the motor, furniture and radio industries, if well maintained, probably would be of more benefit than the whiskey demand now visioned.

The major unit in the industrial ethyl alcohol industry is U. S. Industrial Alcohol Co., which produces 34 per cent of the country's output. American Commercial Alcohol Corp., produces 12%. Various kinds of alcohol, used as solvents in numerous manufacturing processes have always been in demand in industry. But both these companies are planning to further diversify their markets by edging in upon the whiskey business.

Industrial Alcohol has recently listed 30,000 additional shares. Half of this amount is to be used to pay for a 50% interest in Mar-Kentucky, Inc., a blending company to be incorporated in Delaware and to be owned jointly by Industrial Alcohol and National Distillers Products Corp. The other half is to be

(*Please turn to page 395*)

Dividend-Paying Chemical Stocks

	Current Price	Dividend	Yield %
Allied Chemical & Dye Corp.	116	$6	5.1
Air Reduction Corp.	88	3	3.4
Du Pont (E. I.) de Nemours & Co.	70	2	2.8
Union Carbide & Carbon Corp.	42	1	2.3
Monsanto Chemical Co.	54	1.25	2.3
Commercial Solvents Corp.	33	0.60	1.9
Mathieson Alkali Works, Inc.	32	1.50	4.7
Westvaco Chlorine Products Corp.	17	0.40	2.3
Hercules Powder Co.	44	1.50	3.4

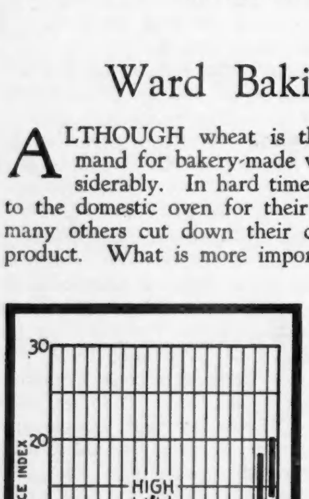
Overlooked Improvement in Sound Companies

Selected by The Magazine of Wall Street Staff

Recent developments will have a marked effect on the rate of improvement in certain industries and on certain companies in particular. In many cases this has not been realized and such securities have not reflected the improved prospects in their present prices.

Ward Baking Corp.

ALTHOUGH wheat is the "staff of life," the demand for bakery-made wheat loaves fluctuates considerably. In hard times a great many homes turn to the domestic oven for their bread supply and a great many others cut down their consumption of the bakery product. What is more important to the baking companies, because it cuts into their most profitable business, is the decreased consumption of cake and pastry. When general business conditions mend, these influences are reversed. Companies with a relatively large proportion of revenues derived from cake lines, having suffered more severely during depression, recover their earning power rapidly as their cake and pastry production is stepped up.



The Ward Baking Corp. has always had a relatively large cake business. Several years ago, cake was Ward's largest source of profit, but this position was not maintained. In recent years efforts have been made to regain a portion of this business. Bread products have suffered, not only from the natural drop in consumption, but also from increasingly sharp price competition. To meet chain price cutting, practically all baking companies were, for a time, forced to offer "competitive loaves" at reduced prices. But now there is an end to price wars, and the processing tax is very nicely being passed along to the consumer. And unit sales—or tonnage volume—show consistent gains.

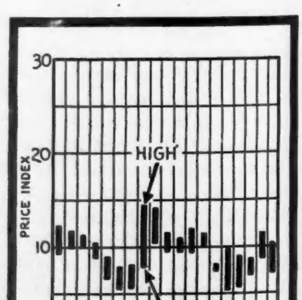
Early this year Ward was showing an operating deficit, or close to it. For the 22 weeks ending June 3, net profit was only $76,237, while for the five weeks ended on that date, net was $177,358. The improvement went on apace in July, for it is estimated that the five weeks ended July 3 resulted in net profits of approximately $250,000—or more than proportionate dividend requirements on the 7% preferred—before write-offs.

Ward Baking Corp. is in good shape financially, reporting about $3,000,000 in cash at the close of 1932, with total current assets more than five times total current liabilities. Cash alone was more than three times total current liabilities. Funded debt is only $4,461,600—due in June, 1937—and there are 261,008 shares of 7% cumulative preferred stock ahead of the 82,975 shares of no-par, class "A" stock which is entitled to non-cumulative dividends of $8 a share—if earned. Following these senior issues, there are 500,000 shares of class "B" common.

Earning its full dividend and carrying $4.25 in arrears, the preferred stock, now selling around $42, on a $1 dividend basis, looks attractive over the near term. Real earning power was developed for the "A" stock before the depression, with a showing of $11.22 per share in 1929. Over the longer term this stock has very attractive speculative possibilities. The "B" stock is pretty far from real earning power.

Marine Midland Corp.

WHEN commodity prices rise money rates are not far behind. That is the simple explanation of why banking profits usually go up and come down with commodity prices. The current upswing in commodity prices—if it is maintained, and there is every indication that it will be, since prices have fallen so far and so long—will eventually have a favorable effect upon bank profits.



Marine Midland Corp., a bank holding company owning 98.19% of the entire capital stocks of 22 banks located in the New York Federal Reserve District, has a considerable stake in country bank profits. And at the same time the corporation is strategically situated to embrace branch banking—when, as and if that practice is legalized in New York State. In fact, should branch banking be established, Marine Midland

would be a choice morsel for some powerful New York City bank to swallow *in toto* as a preliminary move toward a comprehensive system of branches.

The corporation was formed in September, 1929, by interests closely identified with the Marine Trust Co., of Buffalo, the largest bank in New York State outside New York City. There are four or five sizable institutions in the group, but the majority of the institutions are of the solid and conservative country type. Good, all-around management is attested by the fact that none of the banks in the group has encountered any serious difficulty during the three years of depression.

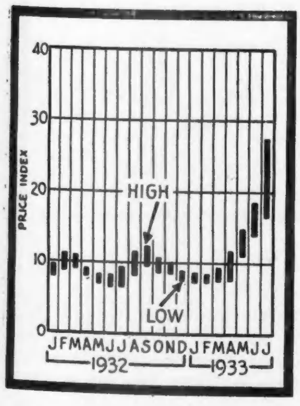
At the close of 1932, the 22 banks had total deposits of $374,814,118, and total assets of $483,145,834. Total capital was $38,900,000; total surplus $27,520,000; and total reserves, $15,660,744. Of total deposits, the Buffalo institution and the Marine Midland Trust Co., of New York City, accounted for $221,775,427.

There is no funded debt, and the outstanding capital stock consists of 5,394,877 shares of $10 par—exclusive of 156,133 shares held by a wholly-owned subsidiary for resale to officers and employees. On this capitalization earnings, irrespective of losses from the sale of securities the brunt of which normally falls upon surplus and reserves, have been fairly stable. In 1932, net amounted to $1.25 per share, as compared with $1.47 per share in both 1931 and 1930. In the first half of this year earnings were approximately 41 cents a share. Dividends of $1.20 a share were paid in 1930 and 1931. In 1932, 80 cents was paid, or 20 cents quarterly. In the second quarter of this year, the rate was reduced to 10 cents quarterly, putting the stock on a 40-cent annual basis.

Marine Midland Corp.'s current price — around $9 —compares with a net tangible asset, or book value, of $14.44 per share at the close of 1932. For the reasons already given, the stock appears to be one of those in which prospects of improvement have been overlooked.

Congoleum-Nairn, Inc.

THE hard-surfaced floor covering industry depends for the major portion of its volume upon replacements and remodeling of old buildings, rather than upon new buildings. In recent years, not only has building construction been severely curtailed, but the replacement demand has also been deferred, in large part, both in buildings and homes. It was the release of this accumulated replacement demand which brought about a radical improvement in earnings of one of the leading companies in the industry—Congoleum-Nairn, Inc.—for the first half of 1933.



Net income for the six months ended June 30, 1933, was $1,012,224—83 cents a share on the common stock. This was almost three times the net for the first half of 1932. It is estimated that the company had a small deficit in the first quarter; so that the June quarter may be credited with something more than the amount shown for the first half-year.

Price advances, ranging from 4 to 10% on various lines of linoleums and felt-base products, may have had some influence upon buying from dealer outlets, for the mark-ups were announced on May 2, to take effect on May 20. But earnings for the June quarter probably reflected very little of the larger profit spread provided by the new quotations. These advances are really very significant in an industry which, up until the end of 1931, suffered severely from price-cutting. On the new price basis, with operating costs rigidly under control, Congoleum-Nairn should develop greater earnings stability.

In addition to its floor coverings, the company developed "Sealex" wall coverings early in 1931. This new product, which has a wide field in hospitals, hotels, institutions, apartments and private homes, where it takes the place of higher priced tile, bids fair to become an important source of revenues. When conditions warrant, it seems likely that "Sealex" wall coverings will be backed up by the same sort of aggressive advertising and sales promotion which has made the company's floor coverings so well known.

Congoleum-Nairn is in a remarkably strong financial position. On June 30, 1933, total current assets were $16,364,000, including $10,840,000 in cash, U. S. Government securities, and short-term state and municipal securities. The total market value of such securities was in excess of the balance sheet value. Total current liabilities were less than $500,000—indicating a ratio of current assets to liabilities, of 35 to 1. Net current assets equalled $12.44 per common share.

There is only about a million dollars in subsidiary funded debt and 10,625 shares of 7% cumulative, first preferred stock ahead of the 1,174,351 shares of common outstanding. This does not include 215,649 shares of common in the treasury, which was purchased in the open market at an average cost of $9.32—or less than the present net current asset value. The equity position of Congoleum common is being gradually improved by this policy of purchasing shares below asset value, for eventual retirement. In 1931, 251,026 shares were so retired.

With improving earnings likely to result eventually in something better than the current annual dividend of 60 cents a share, Congoleum common, currently selling around $21, has decidedly attractive speculative possibilities.

Continental Insurance Co.

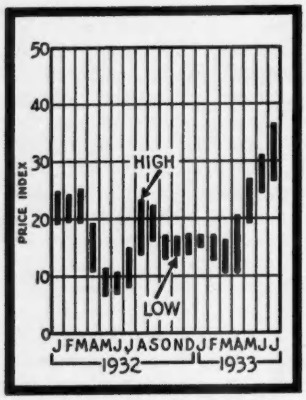
FIRE insurance companies stand to benefit in two ways from improvement in general business. During dull times it became common practice to save on premiums by reducing fire insurance coverage in proportion to shrinking value. Now that real estate values are being revised upward, many properties are underinsured and require increased coverage. There should be a pronounced gain in underwriting this year. The second factor of improvement lies in the enhancement of investment portfolio value resulting from the broad upward movement in securities.

The Continental Insurance Co. is well situated to gain on both these counts. It has an excellent underwriting record, such operations having been profitable for the past six years. Even last year—a difficult period—its gain from underwriting was $1,112,191, as compared with $1,732,887 in 1931.

A large proportion of Continental's investments is in common stocks; so that the very situation which brought about large losses in the past three years, now puts the company in an excellent position to share in the benefits of improving industrial and commercial activities and the dollar's flight into equities. At the close of 1932, 25.7%

of invested assets were in miscellaneous common stocks, and 11.2% in railroad common stocks. Stocks of insurance companies made up 16.1% of the total.

To protect fire insurance companies from the necessity of writing their investment holdings down to obviously over-deflated market levels, so-called "convention values" were set up at the close of 1931, establishing the closing prices of June 30, 1931, as fair asset values. These values were re-affirmed by the 1932 National Convention Resolution. On this arbitrary basis, the liquidating value of Continental figures out at $33.86 per share, on December 31, 1932, as compared with $31.59 at the close of 1931.



Actual quoted values of industrial **stocks**, which make up more than one-fourth of Continental's portfolio are getting back pretty close to the "convention values." In mid-July of this year, a list of 47 industrial issues, representing leading investments of insurance companies, showed a price average of 54.50, against an average "convention value" of 58.46. On the other hand there remains a gap of about 20 points in price averages of a group of 8 favored rails.

The outstanding capital stock of Continental Insurance Co. amounts to $4,873,990—par value, $2.50. The present shares have been on a $1.20 annual dividend basis since July, 1932. Per-share earnings were $2.15 in 1932, against $3.13 in 1931.

Fire insurance stocks have a tendency, in rising markets, to sell around 15 to 18% in excess of their liquidating values. Further enhancement in portfolio values would likely bring about a sharp price advance in Continental, which at its current level around $30, approximate the "convention" liquidating value.

Chrysler Corp.

EVER since the Chrysler Corp. began to feature the Plymouth in mid-1931 in a determined effort to break into the low-priced field in volume, it has gradually been gaining in competitive strength. In 1932 Chrysler's unit sales declined 18% from 1931, but due to the good sales record made by Plymouth that decline was less than for the industry as a whole. Chrysler's proportionate share of passenger cars sold in 1932 increased to 17.4%, against 12% in 1931.

It is true that the decline in dollar sales, due to greater dependence upon the low-priced line, was considerably greater in 1932 than that in unit sales. Off 25% from 1931, the dollar sales volume was 136½ millions, compared with the record volume of 375 millions in 1929.

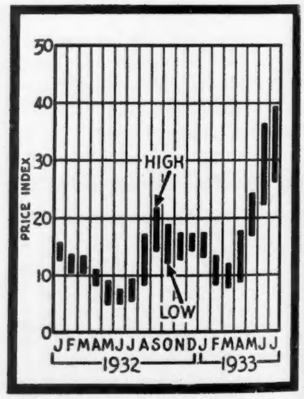
The relative competitive strength of Chrysler, as shown by unit sales, has continued to increase this year. Although dollar volume in the first quarter of this year was below that for the first three months of 1932, Plymouth's share of the domestic passenger car market rose to 13.3%, against 5.5% in the comparable period last year. Chrysler's other lines obtained 8.1% of the total market, against 8.9% last year. All lines took 21.4% of the market on a unit sale basis, against 14.4% in the first quarter last year.

While increasing popularity of its lines, due to aggressive sales tactics and products that strike the public fancy, has meant nothing in profits during the worst phase of depression, this position will be of very great benefit in a normally active buying movement. Plant operating efficiency has been increased to a point where profits should mount rapidly as volume goes above the turnover required to meet the rigid minimum cost of operation. Indications are that Chrysler turned the profit corner in the second quarter.

The first quarter resulted in a net loss of more than $3,000,000. But sales volume rose sharply during the second quarter. In the first six months of this year, the corporation built and shipped 217,614 passenger cars and trucks, a total almost equal to that for the entire year 1932, when 222,512 units were turned out. June sales this year totaled 66,448 units, which was an increase of 22% over May, and a new high record for any month in the history of the corporation. During the week ended July 15, Plymouth sales by dealers totaled 6,673 units, or more than three times the total for the corresponding week last year. Dodge sales are now being pushed in the aggressive manner characteristic of Plymouth sales efforts. That this drive is meeting with success is shown by the fact that a recent week resulted in a sales total more than four times that of the like period in 1932.

Even after taking account of these sales figures, the June quarter earnings were surprisingly good. The showing of $1.80 a share much more than wiped out the first quarter's deficit—it left a balance of $1.10 a share for the first half-year. On the basis of this good showing, directors declared a special dividend of 50 cents a share, payable September 15, to stock of record August 15. The last previous payment was 25 cents on December 31, 1932. In the June quarter last year net was 27 cents a share. The record June quarter was 1928, when $2.41 per share was earned.

Chrysler's only funded debt is that assumed for the Dodge Bros. unit—$42,331,000 debenture 6s, due May 1, 1940. There is no senior stock ahead of the 4,350,428 shares of $5-par common stock. The financial position is strong, the March 31, 1933, balance sheet showing $18,545,000 cash (exclusive of $6,500,000 in closed or restricted banks) and $13,640,000 in marketable securities. Total current assets were nearly five times total current liabilities. Net working capital, showing the results of recent red ink operations, was $43,307,000, against $63,300,000 on March 31, 1932.



Unprofitable operations last year resulted in the first full year's deficit incurred by the corporation—a net loss of $11,250,000. Per share earnings were 48 cents in 1931, 5 cents in 1930, $4.93 in 1929, and $7.03 in 1928. Because some portion of this previous earning power seems likely to be regained in the near future the stock is speculatively attractive around the current level of $33 per share.

Taking the Pulse of Business

— Outlook Continues Favorable

— Factory Employment Gains

— Prices Relapse Temporarily

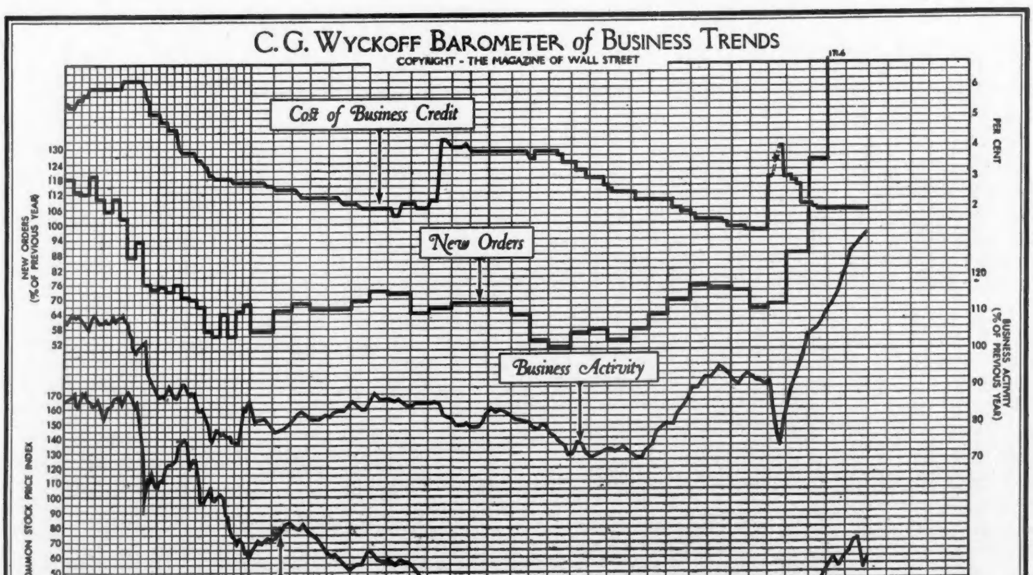
— Heavy Industries Slacken Slightly

— Favorable Response to Blanket Code

THE spectacular drop in prices since our last issue appears to have caused more consternation because of its unusual swiftness than is warranted by the mere magnitude of the decline, which thus far has been no greater than other corrections of an overextended position which have normally occurred from time to time in bull markets of the past. Measured in terms of the rise which had taken place since the banking holidays, our Common Stock Index lost only 40% of its advance; while the drop in wheat and cotton, which at present are of especial concern to the Administration, amounted also to about 40%. Other staple commodities, notably the metals, in which public speculation has been relatively light, lost practically no ground at all; so that our Raw Material Price Index, shown on page 389, has thus far declined only 15%. Very likely it is more than mere coincidence that the drop in foreign exchange rates, in response to the proposed conversion of British external 5½s into sterling 2½s, also amounted to about 15%. If the dollar should recover more, our prices for staple commodities would probably decline further.

In seeking the significance of the recent abrupt reversal in speculative psychology one should neither dismiss the event lightly as a mere shake-out of thinly margined accounts, nor swing to the opposite extreme and view it as an advance warning that business within a few months is to spiral down to new depths. It is scarcely possible that business recovery, which began to sprout only a year ago from a soil prepared by long under-consumption, should be permanently stopped while the Cost of Business Credit remains abnormally low. More reasonable is a supposition that the three-days' collapse in prices foreshadows and end to that phase of the recovery in which the demand for goods has been largely of speculative origin, and a temporary slackening in business activity while waiting for the sounder second stage which Washington is bending all efforts to bring about by expanding the purchasing power of ultimate consumers.

Considering the brief time that the present Administration has been in power it must be conceded that such efforts have met with signal success, with factory employment up 12.5% and payrolls 30% higher than only three months ago. Further support to the belief that whatever recession in business may take place within the next few months will mark only a breathing spell before a resumption of the upward climb is to be found in preliminary reports of New Orders, which point to a further sharp increase when all returns are in for the next point on that graph. It is of course to be expected that a recession in commodity prices, if prolonged, would cause a drop in the production and accumulation of goods from purely speculative motives—in fact a few indications of this have already appeared—but the prices for farm products must still rise 50% higher before reaching the goal set by the Administration, and there is no reason to suppose that measures will not be taken to force a resumption of the advance when payrolls



expand enough to absorb the higher cost of living.

That the forces now working for recovery are too strong to be defeated by a mere reaction in the speculative markets appears also from the circumstances that building contracts in June registered a 34% gain over May and fell less than 9% short of last June, compared with a 43% slump the month before. This industry, which is one of the chief foundation stones upon which any solid edifice of prosperity must be erected, has been signally backward during the past few years, and last months' revival is all the more reassuring because as yet unaided by Government fostered projects. Other industries are also making a favorable showing, as may be gathered from the following cross-sectional survey:

The Trend of Major Industries

STEEL—While it is too early as yet to appraise the effect upon the steel industry of the reaction in prices for securities and agricultural commodities, reports indicate a noticeable falling off in orders recently which is attributed to higher price schedules made necessary by labor provisions of the N. R. A. Specifications against prior orders at the lower price level, however, are keeping mills operating close to the highest rate reached on the recovery, and little recession is expected during the next few weeks. The trade is looking forward to a considerable volume of orders before long from the Government's naval, highway and public works program. Meanwhile raiload equipment, repair business, while placed in small lots, is now fairly satisfactory in aggregate volume.

METALS—Non-ferrous metals suffered little from the slump in stocks and other basic commodities, and still hold around the high level of the year. Signing of the four-year control agreement among nine nations, producers of silver or holders of silver bullion, which is intended to bring the purchases and sales of the white metal into approximate balance, is regarded as a step in the right direction. But the accord must be ratified by each of the nine signatory nations before next April, and nothing has been accomplished as yet to remonetize the metal. In consequence, the open market price has been somewhat reactionary. Demand for copper has been running ahead of production of recent months, so that domestic stocks are off a few hundred million pounds from the peak; but satisfactory profits in non-ferrous metals will not be realized until construction picks up more conspicuously.

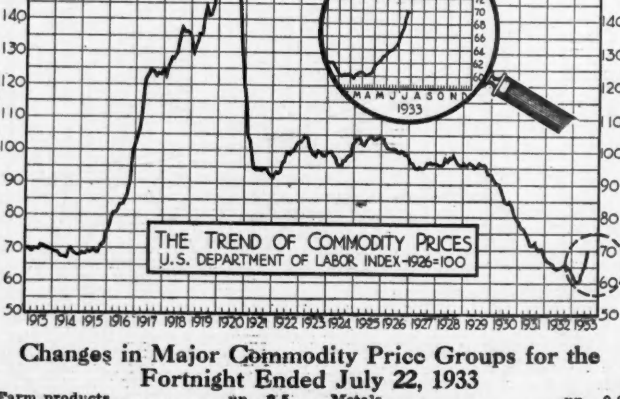
PETOLEUM—The outlook for oil and its products for the remainder of the year at least, now rests largely with the character of the code that is finally adopted by conflicting interests in the industry, and the effectiveness of its enforcement. During the past few weeks, production and stocks of crude have been mounting again at an alarming rate and, unless output can be reduced sharply in the near future, renewed weakness in the price structure seems inevitable. It is far from reassuring that the recent rise in production comes not from the East Texas field; but from a number of other states, notably Oklahoma and California. Oil is still a big gamble, and will remain so until it can be brought under rigid control.

COAL—Viewing the industry as a whole, bituminous coal output is running about 75% higher than last year at this time; so that, generally speaking, mines are operating at a smaller loss than for many a month. Yet the outlook for individual regions and companies is far from uniform, and is much complicated by provisions of the codes which have recently been submitted to the Administration for approval. The higher payrolls will bring a great differential advantage to highly mechanized properties, such as those of the United States Coal Companies; while the narrowed wage differential between northern and southern fields, if finally adopted, is likely to divert considerable business from the South to the North, and incidentally thereby cut into the revenues of coal carrying railroads which serve the southern mines, and at the same time benefit the roads serving the northern mines.

TEXTILES—The slump in cotton, unless recovery soon takes place, is likely to prompt a sharp falling off in new orders for all classes of textile products; but mills are likely to maintain high rates of operation for some months to come under the necessity of working off the huge backlog already accumulated. It is distinctly encouraging to observe that many important customers are acceding with good grace to the Administration's suggestion that prices on pre-code contracts be adjusted upward to conform with higher labor costs.

Conclusion

With the blow recently dealt to speculative excesses in the stock and commodities markets it is evident that that portion of the business recovery which has been prompted by expectations must soon come to an end. In fact reports of slackening orders in a few industries here and there were probably contributing factors in the sharp reaction of prices. If business activity is to rally to new heights this autumn, this new phase of the recovery must be more soundly based upon the substantial increase in purchasing power to which the Administration is now bending every effort: otherwise the country will again find itself glutted with unsaleable commodities, goods and securities. Early reports indicate that business is giving wholehearted support to the new blanket code. We can but hope for its success.

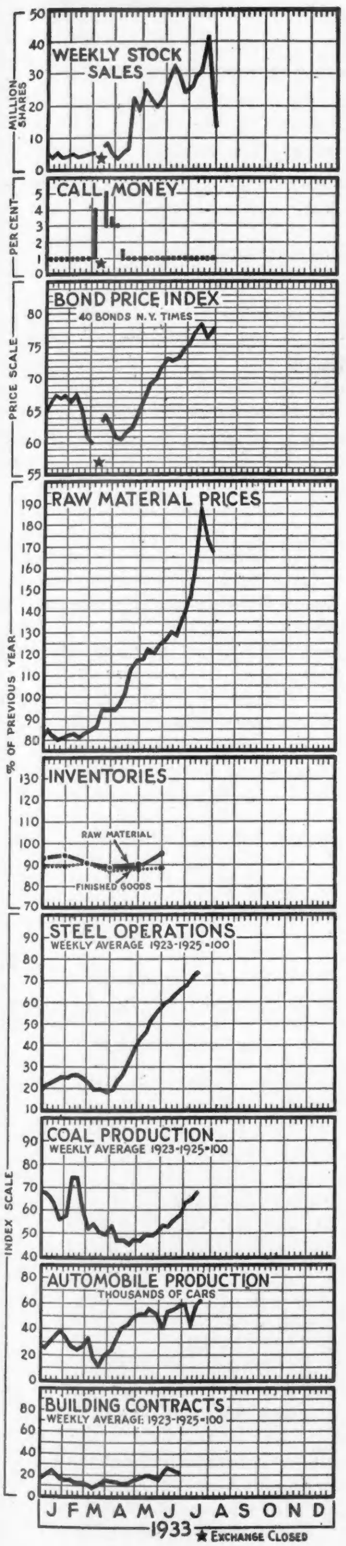


Changes in Major Commodity Price Groups for the Fortnight Ended July 22, 1933

Farm products	up	2.5	Metals	up	0.8
Foods	up	4.2	Building materials	up	2.1
Hides and leather	up	4.4	Chemicals	up	0.2
Textiles	up	4.1	House furnishings	up	0.7
Fuel and lighting	up	4.2	Miscellaneous	up	1.7

The Magazine of Wall Street's Indicators

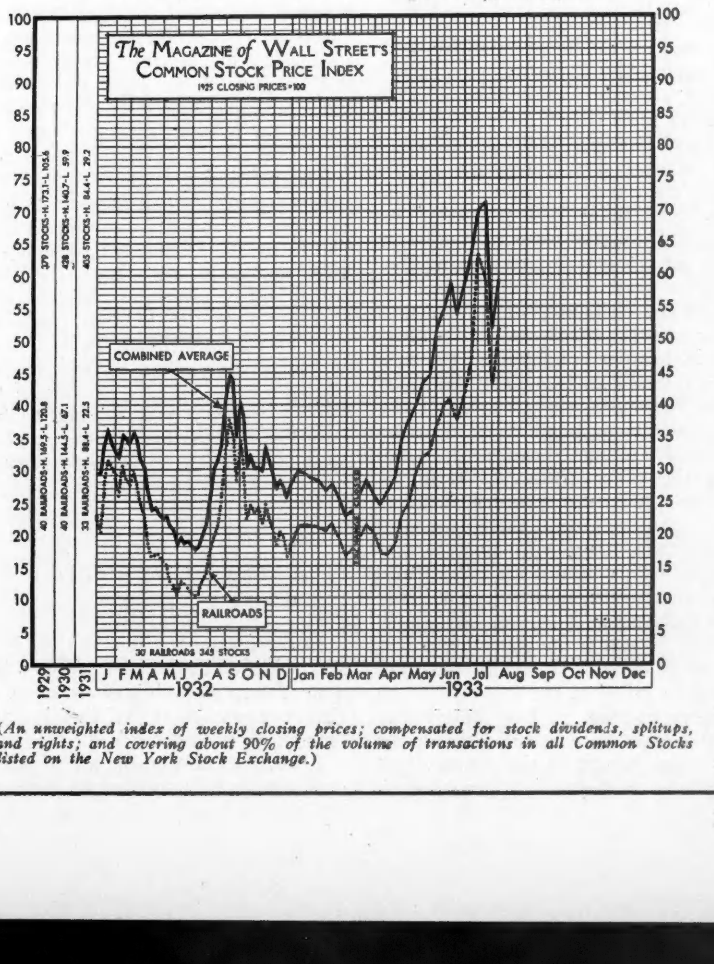
Business Indexes



Common Stock Price Index

1932 Indexes High	1932 Indexes Low	1932 Indexes Close	Number of Issues		1933 Indexes High	1933 Indexes Low	July 15	July 22	July 29
45.0	17.5	27.4	280	COMBINED AVERAGE..	71.3	22.7	71.3h	51.6	59.0
66.8	17.9	32.3	3	Agricultural Implements..	116.0	26.8	113.1	73.1	82.0
59.3	11.4	16.9	6	Amusements	37.8	7.3	37.8h	26.2	31.4
31.3	10.7	17.5	14	Automobile Accessories..	50.9	12.4	50.4	34.6	41.3
17.6	5.8	10.6	14	Automobiles	22.7	7.3	22.7h	15.1	17.9
62.5	16.2	56.2	4	Aviation (1927 Cl.—100)	102.9	41.8	102.9h	67.4	75.0
13.1	4.8	5.6	3	Baking (1926 Cl.—100).	26.5	5.1	26.5h	18.1	21.0
129.9	60.1	96.0	2	Biscuit	157.5	79.9	157.5h	139.3	144.2
83.8	29.6	47.4	5	Business Machines......	128.8	39.8	128.8h	93.5	102.8
119.0	51.0	101.5	2	Cans	168.9	92.9	168.5	153.0	156.5
113.3	53.6	96.3	8	Chemicals & Dyes.......	278.7	73.2	278.7h	174.3	198.8
44.3	13.1	18.9	2	Coal	45.9	12.0	45.9h	28.4	35.2
24.8	9.9	14.2	14	Construction & Build. Mat	38.7	11.2	38.4	27.6	29.5
57.2	14.9	24.0	8	Copper	86.4	21.2	84.9	61.5	71.9
57.8	28.3	32.6	2	Dairy Products.........	47.7	23.0	47.6	38.9	41.9
16.3	4.5	7.9	7	Department Stores......	27.3	6.6	26.9	19.5	21.4
74.3	35.1	53.7	8	Drug & Toilet Articles...	89.0	45.3	87.8	74.0	82.5
63.9	28.7	42.2	4	Electric Apparatus......	104.0	35.6	102.0	73.8	80.2
58.7	23.7	33.2	2	Finance Companies......	87.7	33.2	87.7h	71.9	75.4
56.1	28.3	39.5	5	Food Brands...........	75.2	32.6	75.2h	60.6	67.2
56.4	33.9	49.6	3	Food Stores...........	77.5	40.5	77.5h	63.8	66.3
41.8	11.7	17.0	2	Furniture & Floor Covering	53.3	13.8	53.3h	39.2	47.2
527.8	357.9	514.0	2	Gold Mining...........	1212.0	481.2	1212.0H	1051.0	1135.0
21.1	9.6	12.4	4	Household Equipment....	26.4	10.5	26.4h	22.9	25.9
31.5	9.5	22.0	7	Invest Trusts..........	38.0	14.5	37.1	26.5	28.7
27.4	7.7	20.0	2	Mail Orders...........	44.2	13.5	43.5	32.3	35.2
55.8	19.3	30.1	7	Metal Mining & Smelting.	111.1	30.1	111.1h	89.6	99.9
42.4	21.6	33.2	24	Petroleum & Natural Gas.	83.4	29.3	81.2	59.7	65.7
22.5	6.2	9.8	4	Phonos. & Rad. (1927-100)	30.2	6.7	29.6	19.0	23.3
94.9	37.1	63.5	20	Public Utilities.........	104.0	40.8	104.0h	75.0	82.6
37.8	12.0	17.7	8	Railroad Equipment.....	69.4	17.7	66.4	46.2	53.8
37.8	10.4	18.1	29	Railroads	63.0	16.3	59.1	43.2	51.9
44.4	14.9	27.0	2	Restaurants	38.9	19.9	35.5	28.0	29.4
89.9	58.0	60.8	2	Soft Drinks (1926 Cl.100)	136.8	57.8	134.2	119.1	136.8h
45.9	11.7	23.3	7	Steel & Iron...........	69.1	19.1	68.2	48.5	57.2
12.4	3.8	7.3	3	Sugar	29.5	7.3	29.5h	22.2	23.3
121.6	53.9	112.1	2	Sulphur	170.0	79.3	170.0h	144.0	151.2
57.2	21.0	35.9	3	Telephone & Telegraph..	82.3	28.1	82.3h	61.0	67.2
52.5	16.3	30.1	5	Textiles	82.2	22.5	80.6	52.8	62.4
11.0	2.5	4.4	4	Tires & Rubber.........	15.1	3.0	15.1h	10.3	13.3
68.6	40.8	48.2	4	Tobacco	87.8	46.2	87.7	77.3	81.5
57.0	17.9	22.7	3	Traction	49.0	22.3	49.0h	35.1	40.5
50.9	23.8	34.3	2	Variety Stores.........	52.9	23.3	51.4	40.0	45.1

H—New High record since 1928 h—New high this year



(An unweighted index of weekly closing prices; compensated for stock dividends, splitups, and rights; and covering about 90% of the volume of transactions in all Common Stocks listed on the New York Stock Exchange.)

READERS' FORUM

The Readers' Forum is intended exclusively to serve in the discussion of problems of general investment interest. It welcomes free expression of opinion. The services of this department also are available for answering investment questions of general interest excluding inquiries regarding the position or prospects of individual securities.

Human Nature Again

Editor, READERS' FORUM:

In your issue of July 8, Robert H. Hemphill says, "The duty of the banketeer, the stocketeer and the racketeer is waning." In general I heartily agree with many points in Mr. Hemphill's article, but not with that assertion. For forty years I have been connected with businesses in this country and perhaps twenty foreign nations. Throughout that entire period I have never known a time when human nature was any different than it is today. In the final analysis, every man is out for the most he can get out of life, and whether the times cause a word to change form from Empire builder to pioneer, from cavalier to racketeer, from Chief of Clan to Coal Baron matters little—in every age and in every country the men of the day, and those attempting to become men of tomorrow, are more likely than not to be expedient souls who achieve success by the very force of their ruthlessness. And whether the ruthlessness is accepted or not is more a matter of geography and times than of right or wrong. In many respects, the most borderline-crooked-stocketeer causes far less grief than many enlightened reformers and champions of humanity.

The world seems to be tending towards broader enlightment, but it is my opinion that for many centuries human selfishness and the fight for life will continue to blind most of us to the broader ultimate benefits of considering the other fellow in favor of making a few extra pennies ourselves today. And as long as there exist laws and customs, there will always be a minority who will find a way to "honestly" make the most,—just a little more than other folks,—of conditions. As I see it, that is the general meaning of being smart. I think attention should be called to the fact that many practices existent in daily business in every country are admittedly not of long range benefit to the country, yet everybody continues to regard such practices as sound and ethical. As illustration, I have heard very great men say that in theory, possibly the greatest hindrance to American prosperity is the Constitution. Within itself, it contradicts at several points today. But imagine throwing our Constitution overboard!—HOWARD L. MARK, Los Angeles, Calif.

Is He Over Pessimistic?

Editor, READERS' FORUM:

There is no incentive to be thrifty any more, for as fast as one saves his money invests it, it is partly taken from him by the politicians who in turn pass it on to the large land owners in the south, southwest and west, use it for building roads and buildings many of which are not required and may not be for many years to come. A portion no doubt will reach the aliens of the large cities as a dole, etc., etc. All of which is paid for by the thrifty now and for years to come.

The political prestige-crat system is surely making inroads into the pockets of those who save; for example when the Interstate Commerce Commission was created it cost about 1,000,000 dollars yearly, now about $11,000,000. It is my opinion that the railroads and most of the farmers of the U. S. are in their present plight through the operation of the I.C.C. Yet one of the Commissioners is now selected to further delve into railroad matters, where he will lead them is anyone's guess.—FRED KESTLER, Landsdowne, Pa.

The Life of a Bond

Editor, READERS' FORUM:

In the Forum for July 8th, L. A. S. asks what constitutes the proper lifetime of corporate obligations, or as the Editor expresses it in the heading, "How long should bonds run?"

It seems to me that the life of a bond issue should not be longer than the probable life of the capital assets to finance the acquisition of which the bonds were issued. According to this principle, bonds issued to pay for land could run indefinitely or forever; bonds issued to pay for buildings should probably not run for more than twenty years; and owing to the factor of obsolescence, bonds issued to pay for equipment should probably not run longer than ten years at the most.

Of course no bonds should be issued to finance any improvement that cannot be counted upon to earn at least enough to pay interest on the bonds and to amortize them within the lifetime of the improvement; and, of course, no bonds should be issued for the purpose of obtaining working capital. If new working capital is needed it should be obtained by an issue of stock. If these principles were always followed, I'll venture to say that there would seldom be any need to refund a bond issue.—ROY MOON, Bloomfield, N. J.

For Control of Security Loans

Editor, READERS' FORUM:

While I believe that the crash started without any malice aforethought, it seems to me that a high degree of selfish motive has been apparent on all sides. I can't see that bankers, Exchange or Government have handled the matter with any consideration for the small investor. What will ultimately come out of this, nobody can guess. Perhaps further attempt at government control of loans and the Exchange.

If nothing else, it seems to me that the Exchange could come to an understanding with bankers as to what margins will be required in the future and set a conservative percentage to be maintained at all times. The rather indefinite warning not to "over-extend" has little meaning when 20 or 30 points additional are demanded overnight. —HAROLD SIMMONS, New York City.

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET will answer, by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested, or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts but be brief.
2. Confine your requests to *three listed securities.*
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. If not now a paid subscriber, use coupon elsewhere in this issue and send check at same time you transmit your first inquiry.

Special rates upon request for those requiring additional service.

NATIONAL BISCUIT CO.

I have 100 shares of National Biscuit Co. purchased at much higher levels and a second block which averages my cost below today's levels. Would you advise me to take my profits now or do you advise me to buy more in anticipation of further advances? Will the inflation in commodity prices help or will it be likely to decrease earnings? I will appreciate a prompt reply.—G. J. P., Louisville, Ky.

Although not entirely exempt from depression influences, earnings of the National Biscuit Co. have been sustained considerably better than those of most companies. Per share earnings on the common stock, after allowing for dividends on the 7% preferred, amounted to $3.28 in 1929, and declined to a low of $2.44 per share last year. For the six months ended June 30, 1933, the company reported net income of $6,498,425 equivalent to 89 cents a share on the common stock, comparing with $8,499,996 or $1.21 a share in the similar period of last year. Such decline in income as has been experienced may be attributed largely to the falling off in demand for fancy crackers and other luxury items, as well as to the tendency of competitors to shade prices, thus narrowing profit margins. This situation, however, should become less important as a profit factor upon the indicated further broadening of public purchasing power. Despite the fact that last year's per share earnings on the common stock fell somewhat below the full dividend requirements of $2.80, the continuance of this rate was made possible by the concern's exceptionally strong financial condition. Cash, U. S. Government securities and municipal bonds, alone, amounted to $30,531,802 as of the year-end, while total current liabilities were only $8,114,665. When consideration is given to National Biscuit's leading position in its field, we feel it is safe to assume that any increase in public purchasing power, concurrent with the indicated further improvement in the economic situation will be favorably reflected in earnings. Hence, we regard National Biscuit common as attractive both for income and price appreciation, and feel that additional purchases justified.

WARD BAKING CO. "B"

What is your opinion of Ward Baking "B" stock? I have 300 shares for which I paid 31¾, and am undetermined to sell now or hold for higher prices. Your advice will be greatly appreciated, as will any details you may give me about the company's future.—L. J. R., Topeka, Kans.

In response to the improved conditions visible in general business, Ward Baking Co., reported for the five weeks ended June 3, last, a net profit of $177,358, compared with a net loss of $101,359 for the 12 weeks ended March 25, 1933. Inventory adjustments, which contributed largely to the unsatisfactory net earnings of only $658,127 for the year 1932, against $1,989,076 for 1931, should now be in favor of the company, as we understand that large supplies of wheat and rye, bought at very low prices, are sufficient to carry through to the end of this year and to June, 1934, respectively. Marking up the value of these commodities to current levels would result in much larger inventory figures, giving even better current assets than were shown at the end of 1932, when current assets were $4,848,857, including $3,692,821 cash and marketable securities, against current liabilities of only $875,555. At that time inventory was carried at $678,989. This strategic inventory position, in conjunction with expanded public purchasing power and the higher prices for breadstuffs now in effect and in prospect for the future, all point to higher earnings for the company. While obviously speculative, the Class "B" stock merits retention at this time.

UNITED STATES PIPE & FOUNDRY CO.

It seems to me that United States Pipe & Foundry Co. does not stand to profit as greatly as other industries without an upturn in general building. I would like to know, therefore, what you think of the early prospects for this company and

(Please turn to page 396)

When Quick Service Is Required Send Us Prepaid a Telegram and Instruct Us to Reply Collect

New York Stock Exchange

RAILS

	1931		1932		1933		Last Sale	Div'd $ Per
A	High	Low	High	Low	High	Low	7/26/33	Share
Atchison	202⅝	79¼	94	17⅞	80½	34⅝	61¼	..
Atlantic Coast Line	120	25	44	9¾	59	16½	45	..
B								
Baltimore & Ohio	87⅞	14	21⅜	3¾	37⅞	8¼	29	..
Bangor & Aroostook	66¾	18	35¾	9½	40	20	35	..
Brooklyn-Manhattan Transit	69⅜	31⅛	50¼	11⅛	41¼	21¾	32⅛	..
C								
Canadian Pacific	45⅜	10¾	20⅝	7¼	20⅞	7½	17	..
Chesapeake & Ohio	46½	23⅜	31½	9¾	48	24⅝	42½	..
C. M. & St. Paul & Pacific	8⅞	1½	4½	¾	11¾	1	10⅛	..
Chicago & Northwestern	45½	5	14½	2	16	1¼	11¾	..
Chicago, Rock Is. & Pacific	65½	7⅞	16⅜	1½	10⅛	2	6⅝	..
D								
Delaware & Hudson	157¼	64	92½	32	93¾	37⅝	72½	..
Delaware, Lack. & Western	102	17¾	45⅞	8½	46	17¼	32	..
E								
Erie R. R.	39¾	5	11¾	2	25¾	3¾	23	..
G								
Great Northern Pfd	69¾	15⅝	25	5½	33¾	4⅝	27	..
H								
Hudson & Manhattan	44½	26¼	30¾	8	19	6½	12½	..
I								
Illinois Central	89	9⅛	24⅞	4¾	50¾	8½	44	..
Interborough Rapid Transit	34	4⅝	14⅝	2¼	10¼	4⅛	7⅛	..
K								
Kansas City Southern	45	6⅞	15¼	2¼	24⅞	6½	18½	..
L								
Lehigh Valley	61	8	29¼	5	27¾	8⅝	19⅞	..
Louisville & Nashville	111	20¼	38¼	7½	67½	21¼	56½	..
M								
Mo., Kansas & Texas	26¾	3⅞	13	1¼	17⅛	5¾	12¾	..
Missouri Pacific	42¾	6⅝	11	1½	10¼	1⅛	7⅛	..
N								
New York Central	132¼	24⅞	36⅝	8¾	58½	14	42⅝	..
N. Y., Chic. & St. Louis	88	2½	9¾	1½	25⅜	2⅛	20⅛	..
N. Y., N. H. & Hartford	94⅞	17	31⅝	6	34⅞	11⅛	26½	..
N. Y., Ontario & Western	13⅞	5¼	15¾	3⅝	15	7⅝	10⅞	..
Norfolk & Western	217	105⅝	135	57	177	111½	160	8
Northern Pacific	60⅞	14½	25⅜	5½	34⅞	9⅞	25	..
P								
Pennsylvania	64	16¼	23⅜	6½	42½	13¾	34¼	.50
Pere Marquette	85	4	18	1¾	37	3⅞	29	..
Pittsburgh & W. Va	86	11	21½	6	35¾	6½	34	..
R								
Reading	97½	30	52¼	9½	62½	23½	46	1
S								
St. Louis-San Fran	62¾	3	6⅝	⅝	9	⅞	6	..
Southern Pacific	109½	26½	37⅝	6½	38¾	11⅛	27¾	..
Southern Railway	65⅞	6⅜	18½	2½	36	4⅛	27⅜	..
U								
Union Pacific	205⅛	70⅛	94½	27⅝	132	61¼	112½	6
W								
Western Maryland	19⅝	5	11⅜	1½	16	4	12¾	..
Western Pacific	14⅞	1¾	4¾	½	9½	1	6½	..

INDUSTRIALS and MISCELLANEOUS

	1931		1932		1933		Last Sale	Div'd $ Per
A	High	Low	High	Low	High	Low	7/26/33	Share
Adams Express	23½	3⅛	9½	1⅝	13¾	3	9½	..
Air Reduction, Inc	109¾	47⅝	63½	30⅞	103¼	47½	90	3
Alaska Juneau	20⅛	7	16⅝	7¾	31	11⅛	28¾	.60
Allegheny Corp	12¾	1⅛	3⅝	⅜	8¼	⅞	5⅜	..
Allied Chemical & Dye	182¾	64	88¼	42½	135	70¾	117¼	6
Allis Chalmers Mfg	42¾	10½	15⅜	4	26⅜	6	18	..
Amer. Brake Shoe & Fdy	38	13½	17⅞	6½	42½	9⅛	32	.60
American Can	129¾	58⅛	73⅞	29⅝	97½	49½	85	4
Amer. Car & Fdy	38¾	4½	17	3⅛	39¾	6⅛	27	..
Amer. Com'l Alcohol	14½	5	27	11	39⅞	13	43⅞	..
American Ice	31⅝	10½	21⅝	3⅜	17½	3¾	11⅛	..
Amer. International Corp	26	5	12	2½	15⅛	4¼	9⅞	..
Amer. Mchy. & Fdry	43¾	16	22¼	7½	22⅜	8¾	16⅜	.80
Amer. Power & Light	64⅞	11⅝	17¼	3	19⅞	4	14	..
Amer. Radiator & S. S.	21½	5	12¼	3⅛	19	4⅝	15½	..
Amer. Rolling Mill	37⅜	7⅜	18½	3	31⅞	5¾	19¾	..
Amer. Smelting & Refining	58½	7½	27¼	5⅛	42½	10¾	36¼	..
Amer. Steel Foundries	31¼	5	15⅛	3	27	4⅝	20	..
Amer. Sugar Refining	60	34½	39¼	13	74	21½	62½	2
Amer. Tel. & Tel	201¾	112⅛	137⅜	70¼	134¾	86½	124½	9
Amer. Tobacco Com	128¾	60½	86¾	40½	90¼	49	81½	5
Amer. Tob. B	132¾	64	89¾	44	94¾	50¾	85	5
Amer. Water Works & Elec	80¾	23⅛	34½	11	43¼	10⅞	30¼	1
Amer. Woolen	11⅞	2⅝	10	1⅝	17	3½	12½	..
do Pfd	40	15¼	39⅞	15½	61⅞	22⅝	47½	..
Anaconda Copper Mining	43¼	9¼	19⅜	3	22⅞	5	18⅛	..
Armour Ill. A	4½	¾	2¾	⅝	7¾	1⅛	5½	..
do B	2⅞	½	2	⅜	5	¾	3¾	..
Atlantic Refining	23⅝	8⅝	21⅞	8⅝	31⅞	12⅜	24¼	1
Auburn Auto	295½	84½	151¾	28¾	84¼	31¼	54⅛	1
Aviation Corp. Del	6½	2	8⅞	1½	16⅜	5½	10⅞	..
B								
Baldwin Loco. Works	27⅞	4⅝	12	2	17⅝	3½	12¼	..
Barnsdall Corp. Cl. A	14½	4	7	3⅜	11	3	9	..
Beatrice Creamery	81	37	43½	10½	27	7	20	..
Beech-Nut Packing	62	37½	45¾	29¼	70½	45	63	3
Bendix Aviation	25½	12⅝	18¾	4½	21¼	6⅛	16	..
Best & Co	46¼	19¾	24⅞	5¾	31½	9	26½	..

Price Range of Active Stocks

INDUSTRIALS and MISCELLANEOUS (Continued)

	1931		1932		1933		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	7/26/33	Share
B								
Bethlehem Steel Corp	70⅛	17¼	29⅝	7¼	49¼	10⅛	38	..
Bohn Aluminum	43	15½	22¼	4⅞	54½	9½	39	1
Borden Company	76½	35⅛	43⅛	20	37⅜	18	33¼	1.60
Borg Warner	30¾	9	14¼	3⅜	21⅝	5½	15⅞	..
Briggs Mfg	22¾	7½	11¾	2⅞	14⅝	2⅝	10¼	..
Burroughs Adding Mach	32¼	10	13¼	6¼	20⅞	6⅛	15½	.40
Byers & Co. (A. M.)	69¾	10⅞	24⅝	7	43¼	8½	31½	..
C								
California Packing	53	8	19	8	34¾	7¾	28	..
Canada Dry Ginger Ale	45	10¾	15	6	41½	7½	29⅞	1
Case, J. I.	131½	33¼	65¾	16¾	103½	30½	69¾	..
Caterpillar Tractor	52½	10¼	15	4⅜	29¾	5½	21½	..
Cerro de Pasco Copper	30⅛	9⅞	15½	3½	42⅞	5⅞	33½	..
Chesapeake Corp	54⅛	13⅞	20¾	4⅞	52½	14⅞	41½	2
Chrysler Corp	25¾	11¾	21¾	5	39⅜	7¾	33¾	..
Coca-Cola Co	170	97½	120	68½	105	73½	95	6
Colgate-Palmolive-Peet	50½	24	31½	10¼	22⅜	7	16⅝	..
Columbian Carbon	111⅝	32	41⅞	13½	71½	23⅛	52	2
Colum. Gas & Elec	45⅝	11⅝	21	4¼	28⅛	9	21¼	§.80
Commercial Credit	23¼	8	11	3⅞	15½	4	11½	..
Comm. Inv. Trust	34	15½	27⅞	10⅞	43½	18	38	2
Commercial Solvents	21½	6⅝	13¾	3½	57¼	9	33¾	.60
Commonwealth & Southern	12	3	5⅛	1⅝	6⅛	1⅜	4⅛	..
Congoleum-Nairn	14¾	6⅞	12¼	6½	27⅝	7⅜	20⅞	.60
Consolidated Gas of N. Y.	109⅝	57¼	68¾	31½	64⅛	40	53⅝	3.40
Consol. Oil	15⅞	4⅛	9	4	15¾	5	11½	..
Continental Baking Cl. A	30	4½	8	2⅞	18¼	3	11¾	..
Continental Can, Inc	62¾	30¼	41	17⅝	63⅝	35¼	59½	2
Continental Insurance	51⅞	18⅛	25¼	6¾	36½	10½	29	1.20
Continental Oil	12	5	9⅜	3⅝	19½	4⅞	15	..
Corn Products Refining	86⅝	36¼	55⅜	24¾	85⅞	45⅜	78¼	3
Crown Cork & Seal	38¼	13¾	23⅞	7⅞	65	14¼	44¼	..
Cudahy Packing	48⅞	29	35½	20	59½	20¾	49	2½
Curtiss Wright, Common	5⅞	1	3¼	⅞	4⅜	1½	3¼	..
D								
Diamond Match	23	10⅝	19⅛	12	29½	17½	24	1
Dome Mines	13½	6⅝	12⅞	7½	38⅞	12	32¾	*1.55
Dominion Stores	24	11	18½	11¼	26⅜	10½	20½	1.20
Douglas Aircraft	21¼	7⅞	18⅝	5	18¼	10¼	13¼	.75
Drug, Inc	78¾	42¾	57	23	63½	29	49⅝	3
Du Pont de Nemours	107	50¾	59¾	22	85¾	32⅛	72	2
E								
Eastman Kodak Co	185¾	77	87⅞	35¼	89¾	46	77	3
Electric Auto Lite	74⅜	20	32¾	8½	27½	10	19¼	..
Elec. Power & Light	60¾	9	16	2¾	15⅜	3⅛	10½	..
Elec. Storage Battery	66	23	33¼	12⅝	54	21	42½	3
Endicott-Johnson Corp	45⅜	23½	37¼	16	62⅞	26	57	..
F								
Firestone Tire & Rubber	21½	12⅞	18⅞	10½	31½	9⅛	25⅝	.40
First National Stores	63	41	54½	35	70¾	43	62¼	2½
Fox Film Cl. A	38⅜	2½	5⅞	1	4⅞	¾	3	..
Freeport Texas Co	43¼	13¼	28⅝	10	42⅝	16⅛	38⅜	2
G								
General Amer. Transport	73⅛	28	35¾	9½	43¼	13¾	35⅞	1
General Asphalt	47	9⅝	15½	4¾	27	4⅝	19⅞	..
General Baking	25⅝	9½	19⅝	10½	20⅞	11½	15¼	1
General G. & E. A.	8½	1¼	2¾	⅜	2⅞	⅝	1¾	..
General Electric	54¾	22⅞	26⅛	8½	30¼	10½	24⅝	.40
General Foods	56	28¼	40½	19⅝	39¾	21	37½	1.80
General Mills	50	29⅛	48½	28	71	35½	60	3
General Motors Corp	48	21⅜	24⅝	7⅝	34¼	10	30⅛	1
General Railway Signal	84⅛	21	28⅝	6⅛	49½	13¼	34½	1
General Refractories	57⅜	12	15⅜	1¾	19¾	2½	12⅞	..
Gillette Safety Razor	38¾	9¼	24¼	10⅜	20¼	9¾	14	1
Gold Dust Corp	42⅛	14½	20⅝	8¼	27⅜	12	22	1.20
Goodrich Co. (B. F.)	20⅞	3⅜	12⅜	2¼	21½	3	16⅛	..
Goodyear Tire & Rubber	52¾	13¾	29¾	5½	47½	9¼	37¾	..
Gulf States Steel	37½	4	21⅛	2½	38	6¾	28½	..
H								
Hershey Chocolate	103¾	68	83	43½	72	35⅛	57¼	3
Houston Oil of Texas (New)	14	3	28¼	8¾	38	8¼	25¾	..
Hudson Motor Car	26	7¾	11¾	2⅞	16⅜	3	12	..
Hupp Motor Car	13⅛	3¾	5⅜	1½	7¾	1⅝	6⅛	..
I								
Ingersoll-Rand	182	25⅜	44⅞	14¾	78	19⅛	57	1½
Inter. Business Machines	179¾	92	117	52½	153¼	76¾	136	..
Inter. Cement	62½	16	18¾	3⅝	40	6⅛	31	..
Inter. Harvester	60½	22⅜	34⅛	10⅜	46	13⅝	35	.60
Inter. Nickel	20⅛	7	12½	3½	22	6¾	19¼	..
International Shoe	54	37	44⅜	20¼	56⅜	24⅜	47¾	2
Inter. Tel. & Tel.	38¾	7⅛	15¾	2⅝	21¾	5⅛	15¾	..
J								
Johns-Manville	80¾	15⅝	33⅜	10	60⅜	12¼	45	..
K								
Kennecott Copper	31½	9⅝	19¼	4⅞	25⅞	7⅜	21¼	..
Kresge (S. S.)	29⅝	15	19	6⅝	16⅞	5½	14	..
Kroger Grocery & Baking	35½	12½	18⅞	10	35⅝	14½	27½	1
L								
Lambert Co	87⅞	40⅛	56¾	25	41⅛	22⅛	33¼	4
Lehman Corp.	69⅜	35	51⅞	30½	79⅜	37½	66¼	2.40
Liggett & Myers Tob. B	91¾	40	67¼	34⅛	95½	49	87	*5
Liquid Carbonic	55⅛	13½	22	9	50	10¼	31½	..
Loew's, Inc	63½	23⅞	37¾	13¼	32⅜	8½	24	1
Loose-Wiles Biscuit	54⅞	29⅞	36⅜	16½	42½	19¼	37	2
Lorillard	21⅞	10	18⅜	9	25¼	10⅜	21	1.20
M								
Mack Truck, Inc.	43⅞	12	23¾	10	46⅜	13½	36	1
Macy (R. H.)	106⅛	50	60½	17	65¾	24¼	53¾	2

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New York Stock Exchange Price Range of Active Stocks

INDUSTRIALS and MISCELLANEOUS (Continued)

	1931 High	1931 Low	1932 High	1932 Low	1933 High	1933 Low	Last Sale 7/26/33	Div'd $ Per Share
M								
Marine Midland	24¼	9¼	14⅜	6½	11½	5¼	9	.40
Mathieson Alkali	31½	12	20⅞	9	38¾	14	33¼	1½
May Dept. Stores	39	15⅝	20	9½	32	9¾	28	1
McKeesport Tin Plate	103½	38½	62¼	28	93⅞	44⅛	84½	4
Mont. Ward & Co	29¼	6⅝	16½	3½	28⅞	8⅝	22¼	..
N								
Nash Motor Co	40⅞	15	19¾	8	27	11⅛	21¾	1
National Biscuit	83¾	36⅜	46⅞	20¼	60⅝	31½	54¾	2.80
National Cash Register A	39¾	7⅛	18¾	6¼	23⅝	5⅛	19	..
National Dairy Prod	50¾	20	31⅜	14⅜	25¾	10½	21	1.20
National Power & Light	44¼	10¼	20⅜	6⅝	20½	6⅞	16	1
National Steel	58⅛	18½	33⅞	13½	55⅛	15	43	1
North Amer. Aviation	11	2⅜	6⅝	1¼	9	4	6½	..
North American Co	90¼	26	43¼	13¾	36½	15¼	27¼	§8%
O								
Ohio Oil	19½	5⅛	11	5	17⅝	4¾	12⅞	..
Otis Elevator	58½	16⅛	22½	9	25¼	10⅛	19	.60
Otis Steel	16⅜	3½	9¼	1¼	9¼	½	6½	..
Owens Ill. Glass	39¾	20	42¼	12	96¾	31½	77	*2¼
P								
Pacific Gas & Electric	54⅞	29⅝	37	16⅞	31⅞	20	27½	2
Pacific Lighting	69½	35	47½	20¾	43⅜	25¼	33⅝	3
Packard Motor Car	11⅞	3⅞	5¼	1½	6⅞	1¾	5⅜	..
Paramount Publix	50¼	5½	11½	1½	2½	⅛	1¾	..
Penney (J. C.)	44¾	26¾	34½	13	47⅝	19¼	39⅞	1.20
Peoples Gas—Chic.	250	107	121	39	78	41⅜	61	4
Phelps Dodge Corp	25⅝	5⅞	11⅝	3⅞	18½	4½	15⅜	..
Phillips Petroleum	16⅝	4	8⅛	2	17⅞	4¾	14½	..
Procter & Gamble	71¼	36⅜	42¾	19⅞	47½	19⅝	43½	1½
Public Service of N. J.	96½	49⅛	60	28	57⅛	33¼	47⅝	2.80
Pullman, Inc.	58½	15¼	28	10½	58⅛	18	47	3
Pure Oil	11⅞	3¼	6½	2⅞	11⅞	2½	9½	..
Purity Bakeries	55¼	10¾	15⅞	4⅜	25⅜	5⅞	19⅞	1
R								
Radio Corp. of America	27½	5⅛	13½	2½	12¼	3	8½	..
Radio-Keith-Orpheum	4	2¾	7¾	1½	5¾	1	3¾	..
Remington-Rand	19¾	1⅞	7½	1	11¼	2½	8⅜	..
Republic Steel	25⅜	4⅛	13⅞	1⅞	23	4	17⅛	..
Reynolds (R. J.) Tob. Cl. B	45½	32½	40¼	26½	50½	26½	47⅞	3
Royal Dutch	42⅝	13	23¾	12⅛	36⅜	17⅝	33⅝	1.07½
S								
Safeway Stores	69½	38⅝	59¼	30⅛	62⅜	28	52¾	3
Sears, Roebuck & Co.	63¼	30¼	37⅜	9⅞	47	12½	36	..
Seaboard Oil—Del.	20¾	5½	20⅜	6⅝	33⅞	15	22½	.60
Servel, Inc.	11¾	3½	5⅜	1½	7½	1½	5⅝	..
Shattuck (F. G.)	29½	8¼	12¾	5	13¼	5¾	9½	.24
Shell Union Oil	10¼	2½	8¾	2½	11⅝	4	8¾	..
Simmons Co.	23¾	6⅞	13⅜	2¾	31	4⅜	22¼	..
Socony-Vacuum Corp.	21	8⅜	12¼	5¼	15½	6	12⅜	..
So. Cal. Edison	54½	28⅜	32¾	15¾	28	17½	24	2
Standard Brands	20½	10½	17⅞	8⅜	37⅝	13¾	26¾	1
Standard Gas & Elec. Co.	88⅜	25⅛	34¼	7⅝	22½	5⅛	14½	..
Standard Oil of Calif	51¾	23⅛	31⅞	15⅛	40⅛	19½	35¼	..
Standard Oil of N. J.	52½	26	37⅜	19⅞	41⅛	22¾	35¾	1
Stewart-Warner	21⅞	4¾	8½	1⅞	11½	2½	9	..
Stone & Webster	54½	9⅞	17⅜	4⅝	19¼	5¾	13⅞	..
Studebaker Corp	26	9	13¾	2½	8¾	1½	6½	..
T								
Texas Corp	36¼	9⅞	18¼	9¼	28⅝	10¾	23⅛	1
Texas Gulf Sulphur	55¾	19½	26¾	12	34⅞	15¼	28	1
Texas Pac. Land Tr	17⅝	4¼	8½	2½	11⅛	3½	8⅛	..
Tide Water Assoc. Oil	9	2⅛	5⅝	2	10¾	3⅛	8⅝	..
Timken Roller Bearing	59	16½	23	7¾	35½	13¾	27½	.60
Transamerica Corp	18	2	7⅛	2⅛	9⅜	2⅝	7½	..
Tri-Continental Corp.	11¾	2	5½	1½	8¾	2¾	6¼	..
U								
Underwood-Elliott-Fisher	75¾	13⅜	24⅜	7⅜	39½	9¼	29	.50
Union Carbide & Carbon	72	27⅛	36⅜	15½	51⅞	19¾	43½	1
Union Oil of Cal.	26⅝	11	15⅜	8	23⅜	8½	19¼	1
United Aircraft & Trans.	38⅞	9⅞	34⅜	6½	46⅞	16½	33¼	..
United Carbon	28¾	6⅛	18	6⅝	30⅝	10¼	24	1
United Corp.	31¼	7½	14	3½	14½	4⅞	10⅛	.40
United Corp. Pfd	52⅛	26⅛	39⅜	20	40⅞	24⅞	35½	3
United Fruit	67¾	17½	32⅜	10¼	66⅛	23¼	58	2
United Gas Imp	37½	15⅜	22	9¼	25	14	21¼	1.20
U. S. Industrial Alcohol	77⅜	20⅜	36¼	13¼	94	13½	53½	..
U. S. Pipe & Fdy	37⅛	10	18⅛	7¼	22⅛	6⅛	16½	.50
U. S. Realty	36¾	5½	11¾	2	14½	2½	9	..
U. S. Rubber	20⅜	3½	10¼	1¼	25	2⅞	19½	..
U. S. Smelting, Ref. & Mining	25¾	12⅜	22¾	10	82¼	13½	82	1
U. S. Steel Corp.	152⅜	36	52⅝	21¼	67½	23⅜	53¾	..
U. S. Steel Pfd.	150	94	113	51½	105½	53	97	1½
Util. Power & Lt. A	31	7⅞	10⅜	1½	8⅞	1⅞	5½	..
V								
Vanadium Corp	76¼	11	23¾	5¼	36¼	7⅝	25	..
W								
Warner Brothers Pictures	20⅜	2⅛	4½	½	8½	1	5¾	..
Western Union Tel.	150¾	38½	50	12⅜	77¼	17¼	62½	..
Westinghouse Air Brake	36⅛	11	18⅛	9¼	35⅝	11¾	27½	1
Westinghouse Elec. & Mfg.	107¾	22½	43½	15⅝	58¾	19⅜	43⅝	..
Woolworth Co. (F. W.)	72¾	35	45⅝	22	50⅞	25⅛	46¼	2.40
Worthington Pump & Mach	106⅞	15¼	24	5	39⅞	8	26¼	..
Wrigley (W., Jr.)	80⅜	46	57	25¼	52¾	34½	49	3

§ Payable in stock. * Including extras.

Further Gains Expected in Chemicals

(*Continued from page* 383)

used to purchase properties or major interests in properties for which the company is negotiating. Mar-Kentucky, it is reported, will blend and sell whiskey now owned by National Distillers.

In a letter recently sent out by Commercial Alcohol to notify stockholders of a special meeting to increase the authorized common stock from 375,000 to 500,000 shares, the company said that it was seriously considering production of medicinal and other spiritous liquors, and also believed that it should take steps to supply the demand for high-grade grain cologne spirits used in rectifying whiskies. Later reports said that the company was making preparations to manufacture whiskey and gin at its Pekin plant.

Both the alcohol companies are in good financial shape, and neither has any funded debt. Both earned profits in 1932—Industrial, 47 cents on its 373,846 shares of no-par common; and Commercial, \$3.01 on its 194,747½ shares of \$20-par common. Their earnings have been rather erratic under the government quota system of production which has prevailed during prohibition, and neither is paying dividends. Whiskey should bring increased profits, at least for a year or two; but the process of manufacturing grain alcohol is so simple that competition seems likely to spring from every direction.

In the somewhat specialized alkali division are two companies: Mathieson Alkali Works, Inc., and Westvaco Chlorine Products Corp. Mathieson is one of the largest domestic alkali producers, with soda products coming first in its volume, and chlorine products second. Westvaco is an important producer of chlorine and caustic soda. About 40% of its output goes to one customer—Union Carbide—for use in the manufacture of new synthetic organic chemicals, under a contract which runs until December 31, 1937. Alkalis are largely used by rayon, textile and paper manufacturers, so that activity in the textile industry has recently spurred production. Mathieson earned 86 cents a share on its no-par common in 1932, and it has just reported 46 cents a share for the June quarter of this year, against 20 cents in the second quarter last year. Westvaco earned 80 cents a share on its no-par common last year, and reported 20 cents for the March quarter this year. Mathieson is currently paying dividends of 37½ cents quarterly, reduced from the

$1.75 annual rate of 1932. Westvaco recently resumed dividends with a quarterly payment of 10 cents on June 1.

In the explosives division Hercules Powder Co.—which is no longer primarily a powder company, for its main products are nitro-cellulose for lacquers, safety glass and artificial leather and chemical cotton for the rayon industry and naval stores for the paint and varnish and soap trades—showed profits of 24 cents on its common stock last year. Atlas Powder Co. reported a deficit equivalent to $2.06 per common share. Aided by increased industrial and public works demand for explosives, Atlas broke out of the red ink in the June quarter of this year, showing net of 8 cents a share, against a deficit of 85 cents for the second quarter last year. For the June quarter, Hercules reported 83 cents a share earned as against only 4 cents in the second quarter of 1932. Commercial explosives now make up only about 45% of the business done by Hercules, but Atlas, having been unfortunate with its cellulose products ventures, is predominantly an explosives manufacturer, turning out 20% of the industry's total for dynamite and 15% in powder. Its very strong financial position enabled Hercules to maintain its current annual dividend rate of $1.50 while it was not being earned.

No discussion of the chemical industry would be complete without some mention of Air Reduction Co., Inc. Formed in 1915, it stepped nicely under the umbrella of high prices for industrial gases held up by Union Carbide, and has been rather uniformly prosperous right from the start. It ranks second to Carbide as a producer of oxy-acetylene gases and equipment for welding and cutting. Together they do about 90% of the domestic business of this type, so that competition has never been destructive. Earnings which fell to $2.73 per common share last year, against $7.75 in 1929, should rise with increasing industrial activity. Meanwhile the $3 dividend is bulwarked by plenty of cash in the treasury.

Answers to Inquiries

(*Continued from page* 391)

whether I should sell 100 shares of the common bought at 35½, or continue to hold?—B. F. W., Portland, Ore.

United States Pipe & Foundry Co. reported for the six months ended June 30th, 1933, a net loss of $202,141, as compared with a deficit of $775,067 in the initial half of 1932. Earnings of the concern have been severely restricted during the past two years, primarily because of the inability of municipalities to obtain funds in the bond market to permit the financing of new projects. Utility companies also have not found it necessary or expedient to make extensive purchases of pipe. Nevertheless, there is basis for belief that sizeable orders will be received as a result of the Federal Government's construction program. In the meantime, a sound financial condition has been maintained. Total current assets, as of the year-end, amounted to $14,441,043, including cash of $6,875,069, while total current liabilities were only $913,214. As a result of this highly liquid condition, and the ability of the management to restrict losses through economies, directors of the company in January declared four quarterly dividends of 12½ cents on the common stock to be distributed during the current year. Obviously, future dividend policies will be guided by the state of general business, particularly as it affects the demand for cast iron pipe. However, when consideration is given to the management's ability to limit losses through what now appears to have been the worst of the economic situation, we see little cause to disturb your present holdings of the stock at this time.

SUN OIL CO.

Sun Oil, at its high for the year, does not show an advance comparable with most other oils. Although I know little about the financial and business prospects for the company I feel that this stock may be out of line with the market. If you believe it advisable I would like to add 100 shares to my otherwise well diversified portfolio.—S. A. S., Palo Alto, Calif.

Sun Oil Co. was one of the comparatively few oil companies able to report a profit from operations throughout the depression. The company reported for the year ended December 31, 1932, a net income of $4,198,046 equivalent, after allowing for dividends on the 6% preferred stock, to $2.26 a common share. This compared with net of $3,107,147, or $1.63 a share for the calendar year 1931. Earnings last year were aided not only by higher crude oil and gasoline prices during the greater part of the year but also by dividends from the affiliated pipe line company. Sun Oil, as now constituted, is a fully integrated unit in the petroleum industry. More than 23,000 acres of proven oil land and leases and some 2,000,000 acres of undeveloped property places Sun in a position to benefit fully from higher crude oil prices, while its numerous retail outlets may be expected to benefit from higher gasoline prices. Through the Beacon Sun Co. controlled through stock ownership, the concern obtains an interest in 1,750,000 acres in Venezuela, mostly in the Maracaibo Basin. By virtue of the low bid submitted by its subsidiary, Sun Shipbuilding & Drydock, for two submarines, there is reason to believe that Sun Oil will benefit from the Government's naval construction program. Funded debt outstanding at the close of 1932 amounted to $11,864,000 which is conservative for a concern having total assets of nearly $100,000,000. A strong financial condition was shown in the balance sheet as of December 31, 1932, when total current assets amounted to $23,888,334, and total current liabilities were $7,986,893. A conservative dividend policy has been pursued which has permitted the company to keep its plants and equipment at highest efficiency. Hence, it is now in a position to take full advantage of the anticipated further recovery of the industry. We regard the common stock as among the more conservative of the petroleum group and recommend purchases at current levels.

MC KEESPORT TIN PLATE CO.

I bought McKeesport Tin Plate in 1931 at slightly above current prices. I am wondering if you would suggest disposing of this stock now, in view of its rapid rise so far this year and in anticipation of a seasonal letdown in business, or would you continue to hold for further appreciation?—S. H. B., Fresno, Calif.

McKeesport Tin Plate Co. is the second largest factor in its field, and as such, is favorably situated to take full advantage of increased demand for its products, resulting from the improved position of the canning industry, upon which it is dependent for substantially the greater part of its revenues. As a matter of fact, recent reports indicate that there is better than an average possibility of 1933 returns surpassing those registered last year. Obviously, the nature of the company's business makes for considerable seasonal variations in earnings and profits, but on a year to year basis, the record of McKeesport Tin Plate has been notable. For the calendar year 1932, net income amounted to $1,503,088 or $5.01 a share on the capital stock against $1,952,028 or $6.51 a share in 1931. Peak earnings were registered in 1930, amounting to $2,503,897 or $8.35 a share. A strong financial condition has always been maintained, on January 1, last, cash alone amounted to $2,441,975 against total current liabilities of only $603,328. Through its subsidiary, Metal Package Corp., the third largest can making enterprise of the country, McKeesport has been actively engaged in developing new uses for tin containers, the latest of which is their employment for trade-marked oil products, one that

is meeting with gratifying success. Admittedly, the common stock has had a phenomenal rise in prices during the recent past, but with the outlook distinctly favorable, we frankly see little cause for disturbing your present position.

KENNECOTT COPPER CORP.

I am building up a diversified list of securities for myself and consider including 100 shares of Kennecott, so as to profit if this industry benefits from inflation or general business recovery. What is the status of Kennecott? Realizing what this company has done in the past I surely do not want to miss any opportunities. I will appreciate your advice and will act accordingly.—H. A. H., Boston, Mass.

With copper prices at current levels, Kennecott is understood to be operating "in the black" and a profit is expected to be shown in the report for the first half of 1933. Operations are at 16% of capacity in this country and 30% abroad, at which rate Kennecott can produce copper from the domestic mines at a cost of 7¼ cents a pound. About 72% of the company's output is domestic, the balance coming from Chili and Canada. Kennecott is the largest and lowest-cost domestic copper producer and one of the lowest cost producers in the world. The metal now sells at about 9 cents a pound with all indications pointing to an upward trend both here and overseas, due partly to inflation and probably more largely to the industrial upturn. Kennecott's inventory of 100,000,000 pounds of refined copper has gained about $3,000,000 in the first half of this year and its unsold fabricated products on hand and in process would doubtless increase its inventory gain to $5,000,000. Hence, results for 1933 are expected to be much better than the loss of $7,102,198 after a $1,576,963 inventory adjustment reported in 1932. Kennecott is strong financially with current assets of $36,091,150 including $14,740,238 cash and U. S. Government securities, against current liabilities of $3,128,825 on December 31, 1932. Considering all these factors, Kennecott merits favorable consideration for representation in the copper industry.

GRAND UNION CO.

I have held Grand Union for the past two years at considerably above present levels. I will appreciate your advising me on the present position and outlook for this company and whether you recommended adding to my holdings at current levels?—J. S., Charlotte, N. C.

Grand Union Co. reported retail sales for the 26 weeks ended July 1, 1933, of $13,094,518, a decline of about 14% from the dollar amount of sales for the first half of 1932, but the rate of decline was somewhat checked in the last four weeks of the period, when sales were $2,224,050, a drop of only 7.3% from the corresponding period of 1932. Lower prices this year account partly for the drop, indicating that volume of goods sold has not been drastically reduced. Net profit for the latest period reported, the three months ended April 1, last, was $12,144 compared with $211,017 for the first quarter of 1932. Despite this decline in earnings, an excellent financial position has been maintained, with current assets of $5,324,273, including $908,189 cash and $100,000 New York State notes against current liabilities of $993,972, a ratio of over 5 to 1, on December 31, 1932, showing the enterprise could weather a still further period of restricted earnings, if necessary. However, the recent upturn in business and higher commodity prices are favorable factors, pointing to better profits for the balance of this year, and the medium future, while the value of inventories, carried at $2,975,420 at the year end, should now be substantially higher. Grand Union produces a considerable part of its goods in its own plants, including its bakeries, packing plant, coffee-roasting mills and sausage factory, thus obtaining both a manufacturing and selling profit on these items, as well as the merchandising gain from handling packaged goods and non-perishable foodstuffs in bulk. We are inclined to favor moderate additional purchases at current levels for averaging down present speculative commitments.

STANDARD BRANDS, INC.

Please give me some information about Standard Brands. I have been advised to buy this stock as an outstanding "liquor" issue, yet I would not want to invest in 100 shares unless the general outlook warrants it, and prior to the interest in liquor stocks Standard Brands did not share to any great extent in the general market rise.—P. B., Pittsburgh, Pa.

Since the announcement of Standard Brands, Inc., that the company is considering the expansion of its business into the spiritous liquor field through its subsidiary, the Fleischmann Co., if and when the prohibition repeal is ratified, considerable interest has been centered upon the common stock of this company. Before prohibition was put into effect, the Fleischmann Co., was an important manufacturer of gin. At the present time, the company manufactures yeast, vinegar and alcohol products, and is in a position to become an important factor in the distilled liquor field if the management finally decides to add such a line. Aside from its possibility as a "liquor" issue, Standard Brands occupies a leading position in the food products industry. Products include such well known trade-names as "Fleischmann's Yeast," "Chase & Sanborn Coffee," "Royal Baking Powder," "Widlar's Teas, Coffee, Condiments, etc.", and others. Earnings of the company have held up well during the past several years, net income being equivalent to $1.14 per common share in 1932 as against $1.08 in 1931 and $1.22 in 1930. Some decline was registered for the first half of the current year. net being equivalent to 51 cents a common share as against 61 cents a common share for the six months of a year previous. The company has continued to maintain a sound financial condition, current assets at the year-end amounting to $38,618,790 as compared with current liabilities of $4,246,518. Aside from the possibilities of Standard Brands, Inc., in the "liquor" field, the outlook for which is indeterminate at this time, the common stock can be regarded as a satisfactory income producer, possessing fair appreciation possibilities.

REMINGTON RAND, INC.

Please tell me what you think of Remington Rand, Inc. Would you continue to hold 150 shares of its common, at an average cost of 13⅝, as a reasonable speculation; or in view of its having advanced in greater proportion than most other issues, would you sell now and switch to something else with better speculative possibilities?—M. W. G., Seattle, Wash.

Bookings of Remington Rand, Inc., for May and June of this year, exceeded those for the like months of 1932, with the result that for the first time in over two years, the company, during the month of June, emerged from the red, and reported profits in both foreign and domestic fields. It should be noted that the foreign division of the company's operations has been maintained on a profitable basis during the past two years, and that the chief difficulties of the company have been the sharply curtailed demand for its products in this country, as well as the losses sustained by virtue of depreciation of foreign exchanges. The company has practically completed its retrenchment program, and is now prepared to concentrate its efforts on increasing sales. Thus, should increased business visible during the recent past be sustained during the remainder of 1933, the annual report of the company should make a favorable comparison with that of last year. For the fiscal year ended March 31, 1933, the company sustained a loss of $2,581,030 against a deficit of $3,035,733 in the preceding fiscal period. Despite the unprofitable operations of last year, a

strong financial condition was maintained; total current assets as of March 31, last, amounted to $21,396,277 of which $6,254,086 consisted of cash and marketable securities, against current liabilities of $1,846,534. As the situation now stands, the common stock must be regarded as entirely speculative, but with the improved outlook for the company, maintenance of your present position would appear to be the better course to follow.

Profits or Losses Under the New Codes

(*Continued from page* 366)

intention of the Government to have industry regulate itself, and, insofar as practicable, enforce its own codes. Thus the Cotton Textile Industry Committee is constituted the industry's control board; the petroleum industry sets up a National Emergency Committee; so does the Lumber and Timber Products industry; various other trade associations, such as the Wool Textile, the Clothing, Iron and Steel, and others, delegate wider powers to the board of directors of the national association, with certain provisions being made in individual cases for the creation, later, of a sort of control board.

The importance of these provisions, especially the maximum hour and minimum wage rates, to industry as a whole can be easily understood when one considers that in recent years cotton textile workers have worked from 50 to 60 hours a week, averaging close to 55 hours, aside from the so-called sweatshops; similarly, in the woolen mills, hours have ranged from 49 to 57; in the rayon mills, around 55; in the men's clothing industries the average is lower, around 44, but still well over the figure now proposed (40); the iron and steel industry, because of the peculiar nature of certain operations, shows a very high weekly hour rate of well over 50 hours, in most cases approaching 60 a week: their present proposed limit is 40 (with certain exceptions). In the lumber industry weekly hour rates have been over 55 as an average, and in the furniture industry over 50. In the electrical manufacturing industries hours have been close to 50.

While it was not possible to segregate wages in recent years, because hourly wages have not in actuality represented actual earnings owing to periods of broken time or unemployment, the minima as set by most of the industries represent actually a generally fair average when compared with recent years, especially when compared with cost of living indices. In certain cases the wage rates as proposed have been

assailed by labor as too low, and in one or two cases revisions upwards have been made since the codes were first proposed.

With the definite aim in mind of increasing real wages and hence the purchasing power of the masses, and reducing unemployment through the reduction of maximum hours of labor, the codes in general seem to provide for that. The necessity now is for adequate price control to prevent the cost of living rising as rapidly as purchasing power and thus nullifying the broad social gains.

Appraising the Outlook for Municipal Bonds

(*Continued from page* 374)

on real estate, except in special assessment bonds and then only under extremely difficult and complicated methods.

Various states have taken other action to protect property-holders as against bondholders; in this light we can look on the Michigan law limiting taxation to 1½% of assessed valuations, the West Virginia law providing a limit ranging from ½ to 1½% on different types of property, the Texas law exempting the first $3,000 of value of resident homesteads, and the Washington law limiting taxation to 40 mills on assessed valuation of 50% of true value.

On the other hand, constructive steps have been taken which should strengthen the foundation under municipal bond financing for the future. A striking case was that of Fall River, Mass., which had suffered from the general decline of the textile industry in New England. Population had declined from 119,295 in 1910 to 115,274 in 1930, and finally the burden of financial obligations became too heavy to carry. The State of Massachusetts stepped in to form a board of finance of three members, only one a resident of Fall River, with extremely far-reaching powers over finances. It floated a bond issue to retire short-term debt, took energetic action to collect outstanding delinquent taxes, and made provision for the retirement of judgments already obtained out of future budgets. Total expenditure was substantially reduced, and inflated valuations of industrial property cut down toward actual values, although it was necessary to raise the rate of assessment.

Similarly, when the extremely bad financial regime of North Bergen Township in New Jersey finally blew up, the state created what was in effect a receivership commission to supervise the financial operations of the township, cutting down budgets, reappraising properties, speeding up tax collections, and retiring funded debt.

Similar state commissions have been appointed by North Carolina, Ohio and Michigan, the latter especially to supervise refunding operations and ensure that the refunded obligations were within the power of the community to pay.

A more general method of dealing with municipal difficulties was proposed by the McLeod bill for moratoriums of 2 to 10 years, under the Federal Bankruptcy Act, which was tabled by the House Judiciary Committee. An alternative bill which was before the same committee and has received more favorment is the Wilcox bill, which provides that any city or taxing district may, under the provisions of the Federal Bankruptcy Act, go to a Federal court together with the holders of 50% of the claims against it and apply for an orderly readjustment of its finances. A hearing must then be held within 90 days, and if a plan is worked out which meets the approval of 75% in amount of its creditors, such plan then enters into effect.

Efforts on the part of certain municipalities to get out of their difficulties by recourse to direct borrowing from the Reconstruction Finance Corporation have been fruitless, where it was a question of meeting financial obligations. Where the loans were presumably for the construction of self-liquidating public works, of course, greater liberality has been shown, although such loans will have to be considered from the standpoint of the additional burden which they impose on the future.

A number of concrete proposals have been made by representatives of investment interests which will go far to remedy the situation. The establishment of reserves against tax delinquencies, quarterly and in some cases even monthly tax collections to reduce the necessity for borrowing in anticipation of collections, and the supervision of the state over municipalities threatened by financial collapse, are among them.

Constructive Measures

Other proposals which are in part being put into practice in different localities are: the segregation of income for the specific purpose of meeting financial obligations, the installation of more rigorous accounting systems (as witness the recent audit of the finances of New York City by a private accounting firm, which incidentally commended the methods of its existing authorities), limitations on the purposes of new bond issues with a specific prohibition against funding accumulated deficits, limitations on the rate of increase of funded debt or the percentage of special assessment bonds to total valuation (1% in the case of Michigan), extension of existing restrictions to include overlapping districts, and the limitation by the state of the right of municipalities to issue new bonds where the rate of tax delinquency is high, indicating that the existing financial burden is high in proportion to the ability of the property to bear it.

The adoption of these measures will go far to insure the increased safety of municipal bonds in the future. The group as a whole has been slow in following the trend of deflation; it was not until 1932 that the trend of municipal expenditures began to point downward, and the policy of reducing expenditures as well as looking for new sources of income developed. One reason for the relatively small proportion of defaults has been the extraordinary effort on the part of municipalities in weak financial position to keep their credit intact at all costs, and it is by no means certain that further defaults and receiverships will not occur in the near future, as a result of the failure in the past to clear up unhealthy situations, where industrial, public utility and railroad companies in similar financial plight have frankly accepted the situation and deflated their finances to correspond to changed economic situations.

Relief in Sight

The recent turn in the economic situation will relieve the pressure on certain hard-pressed municipalities, in the first instance by making it easier to borrow and particularly on short-term. This of course has its own dangers, but it will tend to avoid situations where an intrinsically sound bond is defaulted because of inability to mobilize through bank credit sums which would be available from tax collections in a relatively short time. The rising level of prices will tend to increase certain of the costs of carrying on the work of the municipality, but only to a limited extent compared to the relatively stable expenditures for salaries and wages. On the other hand, it will somewhat broaden the margins of taxation, which were drawn uncomfortably tight during the deflationary years.

On the whole, we can say that the outlook for well-selected municipal bonds is more attractive than it has been since before the depression, in that both the immediate factors and the longer-term improvements in financial soundness favor the discriminating investor in this field.

What the Rubber Dollar Means to Business and Investment

(*Continued from page 363*)

dollar or managed currency there would be far more play for meritorious fluctuations in the prices of individual issues than at present — fluctuations, that is, based on realities, instead of mob psychology and hunches. The speculator who is such as a student and judge of values, rather than as mere lover of hazards, would find the new scene much to his liking and profit.

This discussion has proceeded rather on the assumption that a fixed price level is a desirable thing and that a managed currency is the one sure way of procuring it. Just now President Roosevelt is concentrating on securing a balanced national economy through control of production rather than "rubbering" the dollar and of raising prices through the same means, instead of amputating a part of the gold dollar or inflating the currency. But almost everybody blames money or credit for the depression because the great fall of the price level is attributed to the rigidity of the dollar and the scarcity of gold. Booms and slumps are laid at the door of the inelastic dollar, and a level price is considered the surest promise of a prosperous future. The old school economists regard this level-price talk as what they would call "boloney" when in their shirt-sleeves. There are a few of them left and they still speak right out in meeting. Let us leave this discussion with the hint that level prices may not be the door to a golden age of placid prosperity and quiet content. Says Dr. A. C. Miller, member of the Federal Reserve Board, testifying before a U. S. Senate Committee:

"How do production costs ordinarily run in a progressive society? They run down, do they not? That is what is meant by progress—technological improvement, more efficient production. Unless wage payments increase enough to absorb all the savings made possible by more efficient methods, the proceeds of the sale of goods at stable prices are going to go somewhere else. Where? Into profits. And when conditions favor a profit inflation the stage is set for a speculative boom. Most of the stabilizationists in this country—the investment bankers and so on—are unconscious inflationists. What they want is rising profits insured by a stable price level. I might say that in the long run a piece of legislation of this kind (the Goldsborough price stabilization bill) might be expected *to insure*

MARKET STATISTICS

	N. Y. Times 40 Bonds	Dow. Jones Avgs. 30 Indus.	Dow. Jones Avgs. 20 Rails	N. Y. Times 50 Stocks High	N. Y. Times 50 Stocks Low	Sales
Monday, July 3......	75.94	103.77	53.38	94.80	91.62	6,726,650
Tuesday, July 4.....	HOLIDAY—EXCHANGE CLOSED					
Wednesday, July 5...	75.91	102.73	54.36	94.78	91.00	5,802,460
Thursday, July 6.....	76.39	104.98	56.36	96.05	91.98	6,541,320
Friday, July 7.......	76.99	105.35	56.53	97.94	93.90	6,977,230
Saturday, July 8.....	77.24	105.15	55.67	96.04	94.19	3,007,530
Monday, July 10.....	77.01	104.08	54.73	95.72	93.22	4,838,065
Tuesdy, July 11.....	77.12	103.08	54.24	95.55	92.37	5,237,425
Wednesday, July 12...	77.44	104.55	54.30	95.17	92.38	5,186,360
Thursday, July 13...	78.24	105.51	55.52	97.86	94.52	7,449,320
Friday, July 14......	78.50	105.04	54.81	96.75	93.79	5,232,260
Saturday, July 15....	78.65	106.10	54.69	95.56	93.87	2,242,460
Monday, July 17.....	79.14	108.27	55.10	97.97	94.90	6,386,370
Tuesday, July 18.....	79.31	108.67	55.63	98.05	95.51	6,586,713
Wednesday, July 19...	79.07	103.58	54.01	97.24	91.57	7,445,960
Thursday, July 20...	78.22	96.26	49.56	94.40	85.34	8,118,210
Friday, July 21......	76.46	88.71	44.82	88.37	76.53	9,573,900
Saturday, July 22....	76.16	88.42	44.32	82.16	77.13	4,224,070
Monday, July 24.....	76.96	94.28	47.31	84.88	81.42	3,419,510
Tuesday, July 25.....	77.19	92.83	46.98	86.29	82.33	3,536,240
Wednesday, July 26...	77.55	95.05	47.25	85.11	82.56	2,039,862
Thursday, July 27...	78.01	96.03	48.31	86.60	83.98	2,461,670
Friday, July 28.....	77.99	94.54	47.81	85.80	83.70	1,390,555
Saturday, July 29.....	EXCHANGE CLOSED					

that the country from time to time will have profit inflation, speculative booms and speculative collapses.

And just as a further stimulus to thought it might be added that Dr. Miller does not believe that world prices go up and down with gold production; he has little faith in the quantitative theory of the volume of money as a dominant factor in price determination. "Whether the *average of prices* goes up or goes down," he says, "is of little consequence to the good functioning of the economic system, either of this country or of the world. The important thing is that there shall be stability in price structure—*in the relationship of prices to one another.*"

Agriculture's New Deal

(*Continued from page* 372)

A quick comparison with the cost figures quoted show the crushing losses which the farmer was facing month after month. The price table just comes down in date to where the advance began to shed a little light on the road ahead for the farmer, if his mortgage could be held off until he could get another crop.

There is just one other aspect of the market and its recent advance; the campaign for curtailment of wheat acreage was certain to slow down if wheat held around $1.25-$1.35, to say nothing of possible importations. In cotton the position was reversed. We were marking our cotton up to a point where export would cease and we are obliged to find a foreign market for a good half of our cotton. Thus in both cases too high prices were militating against the program to which we are all subscribing, whether we sympathize in full with every detail or not.

The Agricultural Adjustment Administration's plans admit of no command save "Full Speed Ahead." There is no provision for a look backward, let alone any backward turning. As corn, hogs and tobacco are brought within the scope of the adjustment we shall begin to know its possibilities for the revival of our agriculture.

In this writer's most humble opinion one of the most important moves in agriculture is the President's just-announced organization of a back-to-the-land movement, by which it is proposed to locate urban unemployed on small farms, where they can grow their own food. "Where we can grow our own food" should be the slogan on big farms and little ones, but this is the one real way out for the jobless man who may happily know how to handle a garden, a poultry yard, a one-cow milk-lot, a small orchard and berry patch. The conference to forward these plans is to be held at once; it includes among those invited William C. Vereen, of Moultrie, Colquitt Co., Ga., the man chiefly responsible for the Colquitt County plan and one of the country's outstanding authorities on the small farm. At least the conference may know that it can be authoritatively informed.

France Fights for Gold

(*Continued from page* 368)

prospect of abandonment of gold than as a means of support of the franc. It is obviously better to pay off international loans while the franc is at par. But the French people are ready for a fight to save the franc, and in that mood may insist on a balanced budget. Whatever be the outcome, the government must first put up a bitter fight for gold in order to save its face. It will be recalled that in 1931 when the British government was in a similar position it made a desperate fight before final surrender—obtaining credits of 250 million dollars from the Bank of France and the New York Federal Reserve Bank. Incidentally, it is recalled that in its efforts to save the pound the Bank of France left its balances in London undisturbed and took a loss of 80 million dollars when the pound crashed.

But with every intention of saving the franc the issue may depend upon what the government and the people will prefer to do if an international run starts on the franc, which seems inevitable if the adverse balance of trade is not soon overcome. It is commonly believed in Europe that France may not be able to hold out longer than October when Parliament convenes and the government is subjected to a test on its budget balancing program. Imports exceeded exports by four billion francs in the first four months of the year—a gain in the adverse balance of about a billion francs as compared with last year. The building up of the huge gold reserves of the Bank of France has vastly depleted French balances abroad and it is doubtful whether current remittances can offset the debits of trade. Hoarding at home must also be taken into account. France not being on a gold coin standard, but on bullion, the Frenchman cannot divert coins to his stock. Accordingly, the hoarders buy slices of gold bars from the jewelers who can command 200,000 francs—the minimum amount of conversion into bullion at the Bank of France.

Besides the trade balance and domestic hoarding, there is the fact that 25 to 50 per cent of the gold in France is on foreign account, it having

Guesswork Has No Place in Investing

If you are to be a successful investor today, you must know when to act, what to do—and why

By A. W. WETSEL

PROGRESS is the result of planned action. Inactivity, often the result of indecision, is the cause of retrogression. Accordingly, it now is widely recognized that financial progress, including the protection as well as the growth of capital, is dependent upon sound action. For, if you are to make financial progress through other than sheer luck, you must know when and how to act. With such knowledge you can capitalize opportunities as they are presented.

Importance of Method Used

Today, as in any period, it is the method you use that counts. Many regretfully look back to last spring when security prices were about 50 per cent lower. Having no sound method for *knowing*, they *guessed* wrong and failed to act. Yet at that very time, when they *thought* securities were too high, it *was known* that securities should be bought. And Wetsel clients were so advised.

Now that the rise did occur, some can only think of the opportunities they missed. They look backward instead of forward. With security prices never stationary, with conditions ever shifting, with the irresistible forces that govern security markets ever changing, new opportunities constantly become available. Especially is this true during a period of rising prices.

What the Investor Should Know

By that we do not mean that an investor should rush in and "buy something" blindly because of a tip, a hunch, nor on the belief that such action is sound. How much better it is to *know* WHEN to buy, WHICH stocks and at WHAT prices! And having bought, to know WHEN to *sell* (and accept profits). Such knowledge not only is desirable but it is ascertainable.

Illustrations of How Statistics Have Failed

Many, imbued by the half-truths that were considered reliable guides a few years ago, continue to stumble along blindly, guessing as best they know how. As, for instance, at one time statistics were looked upon as reliable forecasting factors. Anyone who has followed recent events knows that *statistically* a company does not change sufficiently in a month's time to justify its stock doubling in price. Yet that is exactly what happened recently in more than a few cases. What then was the cause?

During the long bear market the market price of a well-known stock declined to less than five per cent of its 1929 value. When the market started upward that stock quickly trebled in value. One of the company's officers forcibly stated, "I don't know any reason why it should go up. The figures certainly don't justify it." Shortly afterward, however, that stock sold at over five times its low of a short time ago. Recently this executive said, "We have certainly had a big pickup in business. It looks like those prices I ridiculed were justified."

From the Wetsel Record . . .

By ignoring all other methods or "systems," the Wetsel method of interpreting the Technical Factors that control market trends and security prices, successfully foretold:

—the October, 1929, break in September—and again on October 7 of that year.

—the break of May, 1930, when others proclaimed the market was definitely on its way to "normalcy."

—the break of April, 1931, when business indices and statistics indicated broad improvement. Mr. Wetsel wired his clients to sell both investment and trading holdings.

—five major upswings that occurred during this period.

—rising market of last summer (on July), at a time when statistically the country was at the lowest point. And at which time most investors overlooked a major opportunity for fortifying their positions and making profits.

—the market rise following the bank moratorium. After advising clients to *stay out* of the market during February, specific *buying* recommendations were issued on February 27 and on March 1. Profits were taken after sensational rise following the reopening of the Exchange.

—the beginning of the gold embargo market. Purchases again being made on April 14-17—two to five days prior to the sensational rise following the embargo.

—the long persistent Spring rise, following the gold embargo soon again afforded large profit opportunities as buying instructions had been issued two to five days *prior* to the beginning of the rise.

These instances are given because the dates and what they signify are so well remembered. But, they also emphasize the necessity for forecasting short swings, which may aggregate even more profits.

Forces That Control Market Prices

This experience is related because it vividly points out the necessity for evaluating all the forces that govern security prices and market trends.

Through experience and constant analysis the action or price movements to be caused by these irresistible forces can be pre-determined with a better than average degree of accuracy. Through interpretation of this knowledge you can know when and what to buy and sell.

Supplying such information is part of the function of this organization of investment counselors. From the management of large investment estates to the supplying of pertinent information for the small investor, there is a Wetsel service suited to every need.

Protection Through Action

The cost of this service is relatively small. It tells you when to invest—often at a time when you might otherwise overlook the opportunity. It tells you when to sell—enabling you to realize the profits earned through appreciation and often preventing serious losses due to reactions. Wetsel Service, by **telling you what to do and when, therefore, should prove profitable to you because of the added protection and appreciation of opportunities it affords. It makes financial progress more likely because it stops guesswork and tells you what *action* to take.**

Send for This Free Booklet—See for Yourself

The Wetsel philosophy of sound investing is to gain protection and appreciation of capital funds through action. This method is fully described in our booklet, "How to Protect Your Capital and Accelerate Its Growth." This booklet, we believe, has been more widely read than any recent piece of financial literature and may be had upon request. Fearlessly it exposes the fallacies and half-truths that proved to be such misleading and costly guides. Clearly, it shows a way to substitute sound methods for those which have proved to be inadequate. Act today — send for this booklet now — see for yourself if this method *might* help you.

A. W. Wetsel Advisory Service, Inc.
Investment Counsellors
Chrysler Building New York

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Please send me, without obligation, your booklet, "How to Protect Your Capital and Accelerate Its Growth." MWS-16

Name ....

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City .... State............

been sent there as a safe refuge and storage of values. If the international hoarders lose confidence in the franc they may prefer to withdraw their gold if they can find some better place for it. As yet, however, the amount of gold in the Bank of France remains approximately the same as for the last fourteen months. On the other hand, it must be recalled that the United States suspended gold payments while the Reserve Banks still had almost record gold surpluses. An ominous sign is that the foreign exchange account of the Bank of France has fallen off about 60 per cent since April, 1932, indicating that the battle for the franc has heretofore been urged with exchange instead of gold.

The futile International Economic Conference has adjourned to await the outcome of the struggle between gold and paper. If the franc loses, the other gold currencies will sink with it, and the world will be in a chaos of exchange fluctuations with no gold standard to use in its money calculations. By that time the United States will probably have adopted a new monetary policy and will be ready for international stabilization. If France holds on to the end and keeps the flag of the gold franc flying her financial prestige in the world will be enormously increased. While she is now following one road and the United States another, victory for the gold franc will be a powerful influence for our return to gold—perhaps without modification of the gold content of the dollar.

If the battle for the franc is lost the effects in France may not be serious. The devaluation of the franc in 1928 may leave little room for decline of an inconvertible franc. The price level in France is relatively very high; the gold franc probably having a lower gold content than the standing of the paper franc indicated. The principal adverse effect would be the increased price in francs of imported raw materials, but that effect has already been largely anticipated by quotas and high tariffs imposed in an effort to balance trade and protect the gold franc. On the other hand exports would be facilitated. At the same time France would, like the United States, be sitting pretty in a disorderly world with a mountainous hoard of gold to inspire confidence.

If, however, the French people should be enraged by the desertion of gold, a reactionary ministry might be returned—one with highly nationalistic motives, and with a feeling that since the world had deserted France on the gold question and blocked it on reprarations and the "organization of peace" France must go it alone in the settlement of her international problems in Europe. A warlike attitude might result, with all its possibilities of the disturbance of the peace of Europe. The crash of gold might send the French army crashing into truculent Germany.

How Far Can the Market Go?

(Continued from page 360)

June quarter earnings statements are revealing many cases of broad improvement. A number of important corporations have emerged from red ink, while others have reduced operating losses to an extent which promises early profits. A compilation shows that 180 corporations reported improved earnings, as compared with 115 showing decreased earnings.

Reflecting the belated summer recession, steel operations have dipped slightly, losing 1 point in two successive weeks. And electric power output has shown a slightly smaller percentage of gain for the first time since the rise started last May, but the Pacific Coast has continued to expand its rate of improvement. The steel market is awaiting support from the heavier industries, but in anticipation of greater activity early in the autumn, steel scrap prices have advanced in nearly all market centers.

Standard rails have become a bulwark of market strength. At the worst of the recent break a few, which had been stock market favorites of grain speculators, had to take forced liquidation in volume, but they recovered impressively. In May, the Class 1 railroads showed their first increase in ton-mileage over the preceding year since 1929. In June the total net income of the first 50 roads to report showed a gain of 250 per cent over the month last year, while gross was up 13 per cent. Many roads are showing increases in freight handled ranging from 25 to more than 40 per cent. These gains may be less marked in the near future, but finished goods and commodities are broadly on the move and rail earning power bids fair to be restored over the next twelve months.

In summary, we believe that the current recession in stock prices offers a most advantageous buying opportunity. Long-term investors would do well to add to their holdings of selected stocks on any renewed weakness. Fundamental business improvement has not been interrupted, and many tricks still remain in the inflation bag. Near-term traders, of course, may operate with increased confidence at the lower price levels now prevailing. A good trading market should precede the next upswing.